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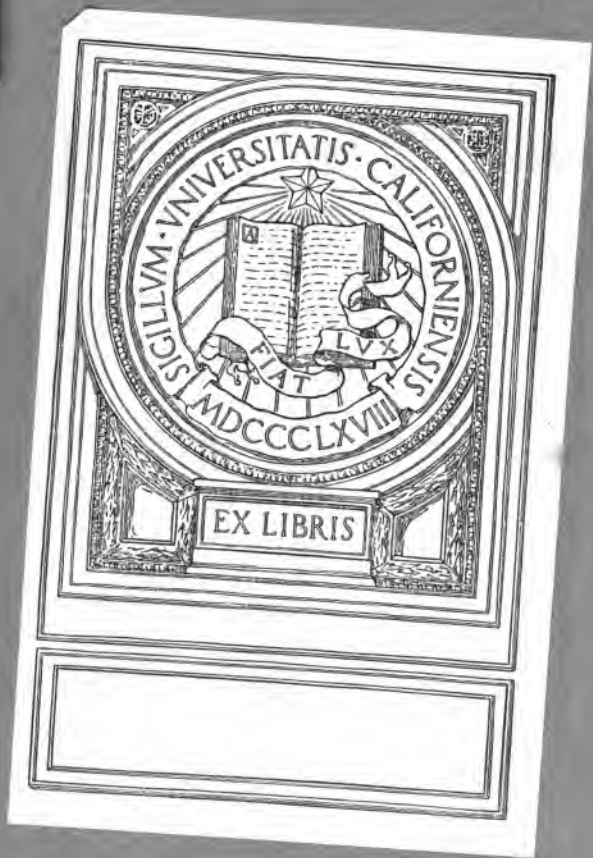
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# THE LABOUR MOVEMENT



*6. 1. 11*

# THE LABOUR MOVEMENT

BY  
L. T. HOBHOUSE

*(1897) first edition*

THIRD EDITION, COMPLETELY REVISED



**New York**  
THE MACMILLAN COMPANY

1912



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## PREFACE TO THIRD EDITION

WRITTEN nearly twenty years ago, this little volume was intended as a brief and elementary analysis of the principles underlying the Labour Movement of that time. Though several times reprinted it has never been fully revised, and now that the task has been undertaken it has been found necessary in large measure to rewrite the book. At the same time I have kept as closely as possible to the original form and scope of the work, which was intended to be an outline sketch, not at any point an exhaustive treatment. I have felt justified in so doing because after twenty years the social theory outlined appears to me, even more clearly than before, to express the real mind of the Labour Movement and the possible lines of social regeneration better than the more familiar forms of Socialistic theory. Indeed, the present Syndicalist Movement, wild in many of its expressions and incoherent as a substantive plan as it may be, becomes intelligible as a protest of despair against bureaucratic Socialism and the cumbersome slowness of the Parliamentary machine. The need of the day is still as it was

## 6 PREFACE TO THIRD EDITION

twenty years ago to appreciate the right relations between "voluntary" associations like Trade Unions and the collective action of the State, to decide on the true function of each, and to distinguish what they can and cannot do to bring about more human, more equitable, and more harmonious relations in the economic world. As I write the greatest strike of our industrial history is ending. Deeply impressive as an example of democratic organisation, the lesson of the struggle is that even under favourable circumstances the power of combination is narrowly limited except so far as it carries with it an effective force of public sympathy. The history of the crisis gives no substance to the vague alarm lest Society be some day arbitrarily "held up" by a combination of workpeople controlling some vital instrument of production. That is a bare possibility against which the State may fairly take its precautions, but it has little substance in comparison with the urgent and ever-present reality that even with the best organisation labour has the utmost difficulty in securing a reasonable standard of living. | The comparison of men demanding a very moderate wage in return for very arduous work to robber barons preying on Society is a bitter satire, not on Trade Unionism but on an attitude of mind too common among the more fortunate classes. |

A more democratic State than ours might conceivably dispense with Trade Unionism and settle industrial disputes by compulsory arbitration. With

us I am afraid that the beautiful doctrine of industrial peace does not always mean peace with social honour. It is too much like a soothing formula crooned over harsh and inequitable conditions against which it is right to war. The acute temporary misery of a strike impresses the imagination, but the long-drawn-out wretchedness of permanent and hopeless poverty, is accepted as a part of the natural order. The method of the strike alone will not work a cure, but it at least puts an edge upon the social conscience, and cuts into the comfortable acquiescence in those conditions which cause massive misery and tend to social decay.

In revising this book I have been stimulated and aided by Mr. J. A. Hobson, who has kindly read the MS. and made many useful criticisms. The general view of the problem coincides more closely with his economic analysis than with any other, and, in fact, in its new form owes much to the work of this most original and independent of our economists.

L. T. HOBHOUSE.

HIGHGATE,  
*April, 1912.*



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# THE LABOUR MOVEMENT

## CHAPTER I

### LABOUR AND WEALTH

THE movement which originally suggested this volume took definite shape in 1888-9. Primarily an attempt to extend the benefits of Trade Unionism to the unskilled worker, it achieved some notable successes in its own sphere. But its wider and more permanent influence is to be seen in the change of attitude which it effected in the world of organised Labour as a whole. The "New Unionism" as a distinct movement died away in the early Nineties, and during the last years of the century the public mind was turned to other thoughts than those of social reform. A period of reaction set in and the democratic spirit slumbered and slept. But meanwhile the elements of a newer, a wider, and a more considered Labour policy had been formed. Not only had the Independent Labour Party arisen out of the New Unionism, but in the ranks of Trade Unionism in general the prejudice against what was called "State Interference" had largely broken down, and the idea of using the machine of Government to further the interests of Labour had become familiar on all hands. Meanwhile Trade Unionism itself was seriously threatened. The failure



of the Amalgamated Engineers in 1897 revealed elements of weakness, or perhaps we should say rather that the success of the Federated Engineering Employers gave evidence of a new force on the other side. There followed a series of judicial decisions which undermined the whole legal position of the Trade Union as it had been understood since 1875, and organised labour found itself compelled to fight for its existence at the polls. That which no Socialist writer or platform orator could achieve was effected by the judges. They called into existence the Parliamentary Labour Party. Moreover, they caused this party, in spite of all differences, personal or substantial, to work on the whole in alliance with Parliamentary Liberalism, and so maintain a majority for a far-reaching policy of social reform. Thus the course of events

→ —that ultimate arbiter of all book controversies— has decided the main question which this volume originally set out to discuss, and has confirmed the view that labour organisation needs to be supplemented by labour politics. Many recent events equally emphasise the converse truth that labour politics must work hand in hand with labour organisation.

The efforts of the working class to maintain and improve its standard of life under modern industrial conditions began at a time when the mass of its members were excluded from the parliamentary franchise. They therefore necessarily took the shape of "voluntary" or rather extra-parliamentary organisations. Labour built up for itself the Trade Union for the defence of the standard wage, the Co-operative Store for the supply of necessaries at a reasonable price, and the Friendly Society to meet the contingencies of life, without the aid and to some extent against

the will of Government. When the extension of the franchise placed the balance of political power in the hands of the masses a new avenue of progress was opened up. It became possible to use political machinery to achieve results which hitherto had been outside the scope of any but a voluntary organisation. But it was inevitable that there should at first be doubt and hesitation as to the new method. It is not surprising that there should have been a time when Trade Unionists and Co-operators looked on one another with suspicion, while both were decried by the partisans of State action as the Whigs of the Labour Movement who were bent on framing a new aristocracy within the working class. But the era of mutual suspicion has passed away, partly because each of the movements in question is emerging from its primitive limitations and fulfilling wider and higher purposes, and partly because along with this growth comes a better understanding of other methods of reform.

The truth is, as I hope to show, that Trade Unionism, Co-operation, and State and Municipal Socialism have in essentials one and the same end to serve. Far from being alternative or incompatible methods, each is, I believe, the necessary supplement to the others in the fulfilment of the common purpose, and my present object is to consider what this purpose is and how each will help to work it out.

In a general way it is easy enough to lay down the objects of any genuine movement of economic reform. That the means of livelihood should be shared by all members of society, and this in such a way that all should have a chance, not merely of living, but of making the best of themselves and their lives—thus much must be the desire of every

one who considers the subject. And though no economic progress can of itself produce good family life, nor intellectual culture, nor public spirit, yet that all of these may flourish certain economic conditions must be fulfilled, and the object of industrial reform is to bring about these conditions. On the national industry the whole of the national life is based, and whatever powers may build up the fair edifice of the common weal, the economic system is responsible for the soundness of the substructure. This soundness may be said to consist in the provision by honest methods of the material requisites for a good and full life for all members of the community. Probably all would recognise this as desirable, though some may deny its possibility.

With this denial I shall deal later. Meanwhile I would point out that controversy really begins when we attempt to lay down the necessary prerequisites of our admitted aim. But in all the movements which I am considering it would be agreed that, if the economic basis of social life is to be sound, not increased production, but a better distribution of wealth, is essential. It is true that wealth is not an end in itself. It is true that beyond a certain point increase of wealth does not augment happiness, but rather tends to mar it. It is true that the acquisition of wealth, as such, is a base end to set before a man, or a class, or a nation. It is true that you will never satisfy your "infinite shoeblack" by filling his stomach. Unfortunately, these truths, or shall we say truisms, are oddly applied. They are apt to be most vividly realised by the possessors of wealth (who are certainly in a position to judge of its vanity) when they hear the poor complaining of their lot. But this effect is not just what might

be anticipated. Instead of prompting the wealthy to eager acceptance of measures which would disembarass them of those gifts of fortune which obstruct their higher life, it serves only to make them draw tighter the purse-strings and save in subscriptions what they are paying in extra taxation. Their dread of wealth appears to be wholly altruistic. It is an anxiety so refined that it only concerns other people, and torments itself lest men should be "spoon-fed" with too much of the goods of this world if the aid of the State be invoked to secure them a minimum wage, regular employment, and five shillings a week at seventy. Upon the whole this anxiety seems misplaced. Great wealth is useless and may be worse. But in relation to the claims of labour the very term "wealth" conveys misleading suggestions. There are in a modern society two classes. There are those who have never known unsatisfied hunger unless, perchance, they have missed a train or found a refreshment-room closed. There are those who from day to day are uncertain of the next meal, and with these may be ranked in their general outlook on life the much larger mass of those who live so near the margin of subsistence as to be permanently aware that a slight turn of fortune, a change in the course of trade, the failure of an employer, an illness, or advancing age may reduce them to the same predicament. As between these two classes there is the gulf of a widely different experience. For the one wealth means a more or less of things which, after all, man may make shift to do without. For the other it means security for bare wants. No one who has felt these wants or realised in imagination what it is to feel them will listen with anything but contempt to the imputations of materialism

and class-selfishness when directed against the claims of labour to economic security. Exceptional men can take poverty as a bride. For the mass a material sufficiency is necessary to a healthy and civilised existence, and rest from manual toil, especially the very mechanical labour imposed by machine industry, is the condition of the full development of the faculties. Now it cannot be denied that this sufficiency and this leisure are out of the reach of vast numbers in the wealthiest countries of the world. I do not wish to dwell on this. We have had enough and to spare of denunciations of economic injustice and of pictures of social misery. Let us face the fact once for all, and not be blinded to it by the "barren optimistic sophistries of comfortable moles." Having faced it, let us consider the remedy, and admit, once for all, that whatever be the character of that remedy, it must fulfil this first condition of distributing the products of industry with more regard to the welfare of the masses than is paid by the blind and sometimes blindly adored forces of competition.

The moralist is also concerned lest we should insist too much on rights and too little on duties, too much on machinery and too little on the social spirit. But the better distribution of wealth is likely to carry with it a better distribution of duties. A system which provides that all shall eat and be filled will have of necessity to secure that all who are able-bodied shall first work. The only doubt is whether the stern disciplinarians who insist on self-support fully realise the revolutionary nature of their doctrine. If a system is wrong which maintains an idle man in bare necessities, a system is much more wrong which maintains an idle man in great superfluity, and

any system which allows the inheritance of wealth on the great scale is open to criticism on this side. People are apt to forget that property is a social institution, that if they can count securely on enjoying what they have earned, saved, or inherited, it is because the State provides judges, and policemen, and prisons, to guarantee their rights and to punish depredators. Forgetting this, they are apt to think of what is "their own" as part of themselves, and even if it has been acquired without service rendered as emancipating them morally from the common lot which decrees that in the sweat of his brow man shall eat bread. In fact, it seems sometimes to be regarded as quite a providential arrangement that some should be born without the necessity of working for their own living so that they have leisure to impose this fundamental duty on others. We need not for the moment ask ourselves whether the inheritance of wealth is a good or a bad thing. Of this we shall have to speak briefly in its place. We are concerned only to insist that any criticism of the economic system should be applied impartially, and on this understanding we need have no hesitation in accepting the doctrine that a good system must emphasise obligations just as much as rights, work just as much as reward.

Again, we need not quarrel with the disciplinarian when he lays emphasis on "character," but we may remark that the kind of character that is to be most admired is a point on which people may differ. For our part we shall certainly decline to regard competitive commercialism as a kind of lifelong examination in which the highest character gets top marks. On the contrary, we are so far impressed with the evils that competition brings in its train that we should admit that no mere

change of machinery can undo the moral damage it has done. Machinery—laws, administration, organisations—are after all valuable only as the lever by which the moral forces of society can work. Mere reform of machinery is worthless unless it is the expression of a change of spirit and feeling. If economic reform meant nothing but economic reform, it would leave the nation no happier or better than before. The same dishonesty, the same meanness, the same selfish rapacity would simply find different outlets. But if machinery without moral force is worthless, good intentions without machinery are helpless. A better spirit, if it is to survive, must be incarnated in better institutions, and if there is to be a keener sense of justice, a livelier feeling for the common good, a broader and deeper sense of common responsibility, these qualities must find avenues of expression in the normal working of the social system.

The better distribution of wealth, then, it may be granted, is not the be-all and end-all of progress. But the existing maldistribution is, industrially, the gravest and most distressing symptom of a deep-seated disease. If we would consider how to regain social health, we may take advantage of the metaphor and consider that health consists in the co-operation of many functions, wherein each organ must obtain its due of nourishment, to repair the waste which its action involves. In the body this relation of function and nourishment is called Health. In Society it is called Justice. In both cases there may be over-nourishment here and under-nourishment there, and in both cases with bad results. The difference is that in the case of the body there is one individual which suffers equally in either event. In the case of society the mal-

adjustment may be felt as want and misery by one man and as a misplaced self-complacency by another. But in proportion as the social consciousness develops it becomes less tolerant of these contrasts. It seeks a fuller and therefore a more equitable co-operation. It comes to regard work more and more definitely as a public service, and accordingly concerns itself more and more closely with the conditions under which it is performed, and with the measure of its reward. But this conception raises many questions of difficulty. It compels us to ask on what principles reward should be based, to what extent society can or should control the aims and methods of industry, what kind or degree of responsibility is left to the individual, and what function remains for the voluntary association which stands intermediate between the individual and the State. I propose to approach these questions in the first instance by taking the movements named above—Trade Unionism, Co-operation, Municipal and State Socialism—and asking of each in turn what it has to contribute to the ideal of an equitable co-operation, what it is doing at the present day, and what it contains of promise and potency for the future, whether it is of permanent or temporary value, whether it is sufficient of itself for all good purposes or needs other movements to supplement its defects.



## CHAPTER II

### TRADE UNIONS AND THE CONDITIONS OF LABOUR

A TRADE UNION is an association of wage-earners in a given industry for the purpose of securing the best possible conditions of labour for the workers in that industry. It owes its existence, as the historians of the movement have shown, to the sharp separation of employers and employed. As long as the workman can easily rise in the industrial scale, and has hopes of becoming an employer in his turn, he is unwilling to enter into a permanent combination against employers, and if such combinations are formed they are always liable to be drained of their most capable members. Even in industries where the workman, though without hopes of becoming an employer, may rise steadily and perhaps rapidly from one grade to another, stable and comprehensive combinations are hard to maintain. The comparative weakness of combinations among railwaymen sufficiently illustrates this point. A Trade Union is effective in proportion as the workers in an industry are brought into close contact with one another and are pervaded by the sense of a common interest. The same conditions govern the extension of combination from the individual workshop to a locality, from a locality to a national branch of industry, and from a branch of industry to the wage-earning class as a whole. Trade Unionism in our time has become a national move-

ment because, in spite of great divergences of interest as between one occupation and another and between one grade of workers and another, there are certain principles which appeal to all men who work with their hands for a weekly wage and inspire them with a sense of solidarity.

Combination might seem the natural refuge of isolated workers beaten down to starvation point by the iron laws of competition. But history shows us that revolutions seldom occur when they are most needed—that is to say, at the extreme point of depression. People who have sunk too low lose the recuperative power which would help them to rise again. The history of labour movements is no exception to the general rule. The great and enduring Trade Unions have generally been formed among the better paid and more skilled artisans, and it is still uncertain how far the mass of unskilled labourers can prove themselves capable of forming durable combinations. Now, a close combination of highly skilled workmen may command and deserve little sympathy from the general public. It may be inspired by all the ambitions of a narrow ring of monopolists, and it would be ill to deny that the monopolistic spirit has ever swayed a Trade Union. Fortunately, it has in the main been checked and overborne by a wider feeling of class sympathy, and particularly since the advent of the "New Unionism" in the later years of last century, the highly organised workman has tutored and led and at times effectively assisted his less fortunate brother. Combinations of unskilled labour have, in fact, been formed from time to time with striking temporary success, as witness the movements of the past year. Nor do such movements pass away without leaving at least a nucleus of solid organisation behind.

A permanent and dominant force among miners and artisans, combination is at lowest a principle of spasmodic but recurrent and effective energy among workers of lower grades.

Thus the organised workmen are in a way the leaders of the working class as a whole. As such, and as controlling labour conditions in the great industries of the country, they have an influence out of all proportion to their numbers. The actual number of Trade Union members has no doubt grown, not only in absolute figures, but in proportion to the working population, as the following figures show :—

						Members of Trade Unions.*
1900	...	...	...	...	...	1,957,710
1905	...	...	...	...	...	1,923,868
1907	...	...	...	...	...	2,412,611
1909	...	...	...	...	...	2,347,461

The last figure includes 207,518 female members. Thus the male Trade Unionists barely exceed one-fourth of the eight million or more of workmen in regular employment, and the influence of Trade Unionism is at bottom an effect, not of quantity but of quality.

Among the conditions of labour, Trade Unions are mainly concerned with the hours of work and its remuneration. Their avowed object is to obtain a "fair day's pay for a fair day's work," and that for all workers. But these are terms that require some definition. As to the "fair day's work," the difficulty is not so great. It would be generally agreed that it should bear a close relation to the strain put upon physical and mental energies. A man's work ought to give full exercise

\* "Abstract of Labour Statistics, 1908-9" (published in 1911), pp. 176-7. "Only those Trade Unions are included for which complete comparative information is available. The Unions excluded are few and generally unimportant."

to his faculties, physical or mental, and never to overtax them, and wherever work is adjusted to this equation there a fair day's work is being done. This, of course, implies considerable differences between one occupation and another. Many brain-workers find five hours a day their limit. If they attempt more, they effect less. Darwin worked four hours a day with great regularity, and he cannot be accused of unproductiveness. On the other hand, a man may be on duty for ten or twelve hours, and have little consecutive effort to tax him. But at this point another consideration enters. A man or woman needs leisure from regular work, even if it be light in itself, if he or she is to be anything more than a "hand." The more mechanical the work the greater the need of ample time for exercising the more human faculties and living the life of a civilised being. Upon the whole the "eight-hour day," which has long been a watchword in the Trade Union world, is an intelligible ideal, but it is to be regretted that the attention of legislators has not long since been directed to the cases, not as rare as they should be, of far longer hours. That it should have been necessary for carters to secure a week of seventy-five hours by a strike in 1911 is something of a disgrace to our industrial code.

The "fair" wage is something much less easy to define on any comprehensive principle.

The phrase, indeed, is probably used in every trade dispute that arises, but if a precise definition could be attached to it perhaps there would be fewer disputes than there are. Without here attempting a general definition it may be allowable to offer a few considerations, all of which may be, and perhaps are, taken into account by employers and employed at the present day, and

might be more fully acted on by a more developed industrial organisation. In asking what wages are fair, I shall mean by "fair wages" the amount we should fix if we had the fixing in our power; in other words, I shall inquire how a well-ordered society would fix the rate of wages if it had the whole distribution of wealth under its control.

Any actual negotiation with regard to wages of course starts from the amount actually paid, and any reduction would be felt as "unfair" by the workpeople unless it were proved to be necessary by the conditions of trade. Conversely any rise would be regarded as "unfair" by employers unless it could be shown to be compatible with those conditions, and among them the provision of a fair profit for the employer would be one. But this only throws us back on the question, What is a fair profit? What we need is something to tell us what is fair, whether we are dealing with profits or wages, or indeed with any division of the fruits of industry and commerce. Now, in any dealings between men, one thing is sufficiently clear: a man will not consider the result fair to him if it leaves him worse off than he was before. Whether he buys or sells, the least that he expects is equal value. You may say that he expects more than this, that he expects a profit since otherwise he would not be at the pains to go into the bargain, but as to this two remarks must be made. The first is that if the bargain is fair, one party must not gain at the expense of the other; both must gain, the profit must be divided between them.<sup>1</sup>

<sup>1</sup> How, then, it may be asked, does profit arise? A may profit at the expense of B, or B at the expense of A, but how can A and B both make a profit by an exchange of their goods? A simple illustration will explain. A buys a pair of boots for fifteen shillings. He would rather pay £1 than go without a new pair. B would rather sell for ten shillings than not sell at all. The transaction is profitable to both.

The second is that if the profit is needed as an inducement to take the trouble necessary to the bargain, then if a man takes the trouble and obtains no profit, he gets less than equal value, he is to that extent worse off than he was before he went into the transaction. This being understood, we may say that in any transaction a fair apportionment is one which gives back to each man value equal to that which he has put in, of his goods, his time, his trouble, his risk, his brains, and so forth, while if there is any surplus remaining when such an apportionment has been made, it is divided among all the parties to the transaction. The apportionment of this surplus will be considered later. It does not come into consideration till each party has received its equal value, and this value has therefore to be determined first. Now, when a man puts money or measurable money's worth into a business it is possible to state in figures the equal value which he will expect, but besides the man who puts money into a business there may be a man who puts brain into the business and a man who puts muscular work into the business. What in their case is the equal value to which they are entitled? Consider the manual worker. What he expends is his energy, an expenditure involving a certain waste of tissue, and the value equal to this is at least such a wage as makes good that waste. Now, what does this waste involve? The worker puts out so much muscular energy in the day. Like a steam-engine, he must be fed or he will run down. Physiologists know that there is an equation between the stores of energy absorbed by the body in food and the output of energy in the form of manual work and heat. But though like a steam-engine in requiring a supply of energy from with-

out, the worker is very unlike the steam-engine in two things. On the one hand, he cannot work unceasingly and yet must be kept going with his fires, so to say, still alight during the hours of rest. On the other hand—unfortunately for him in the world of competition—he can make shift to do for a time without enough coal. Thus the equation between intake of food and output of energy only works itself out in course of time. It is only by degrees that insufficient food, bad housing, want of warmth, lack of proper clothing will tell on the health, and through the health on the efficiency of work. Hence it is that low wages may pay if there is no necessity to retain the workman over the time in which the ill effects of low wages will have begun to tell on his work. But we can now begin to see the kind of wage which the worker will regard as fair. It must be enough to repay him for what he puts into the work, and what he puts into the work is his strength, and his strength depends on his health.

But this is by no means the whole of the matter. The hardy, muscular man who gets the coal at the face in a given mine has not only to repair from day to day the waste of his own muscular tissue and to keep himself fit for his arduous work. From the point of view of this particular mine, indeed, that is all that is required. But from the social point of view, more is necessary. This powerful man was once a child dependent on others; he is still liable to sickness or disablement, and he hopes to live to an old age when he will no longer spend his days at the face of the seam. The just equivalent of his work is support through all these changes and contingencies. Again, as his own childhood had to be supported by others, so he should be able to support children to replace him,

and the wife that brings them up, and to provide for his own old age and hers, and for all the manifold contingencies of life. At any rate, whether out of his wages or from other sources, all this burden has to be met if the national industry is to be maintained as a going concern without loss.

We can lay it down now in general terms that what is fair to each party in industry is that which at least makes good the contribution of that party, or in other words suffices to stimulate and to maintain in permanent and efficient working order the particular function which the party performs. Thus the minimum that an adult male worker is entitled to regard as a fair wage is the amount on which he can maintain an average family in complete health. For it is only by the maintenance of a healthy population that the function of labour can be permanently maintained in efficient working order. Nor, if we look at the matter more simply, just as a question of the social welfare, can we doubt that this is the minimum which it is desirable that any class of worker should enjoy. That any substantial proportion of society should still be unable by honourable work to supply themselves adequately with the means of a healthy livelihood is a challenge to our entire civilisation. It throws a shadow of doubt over all our progress, a shadow which nothing could darken but the comparative indifference with which those of us who are more fortunately placed contemplate the mass of suffering that passes under our eyes day by day.

Of the methods by which these wrongs may be redressed we must speak more fully farther on. But there remain several points to clear up with regard to the fair wage. Observe first that as



the social view is longer and wider than that of the single industry, so it is deeper and more exacting. Socially what is required of every man is not merely that he should be a physically efficient worker, but that he should fill his place in the social order, that he should, in a word, be a good citizen. This requirement involves a measure of mental and ethical training. It involves the qualifications that distinguish a civilised man from a savage and a free man from a slave. For average humanity—for we do not speak of the saint on his pillar, who may or may not be a desirable element in the social order—these qualifications must have an economic basis. They imply education. They imply some postponement of the routine of labour until education has been sufficiently advanced. They imply adequate rest and change from the more brutalising forms of toil. All these are part of the fair wage that a man may claim of a civilised social order. They represent the minimum necessary to maintain him in a life which can contribute to such an order. If he fails to secure such conditions of life, he cannot perform his functions, and not only does he suffer himself, but the social order suffers through him. He may become an idler or a criminal. He may be physically enfeebled or morally slack. He may turn into a bad husband and careless father. In all these ways he makes others pay, and misery spreads. Conversely it is not only good for him but best for society as a whole that he should be able, as the reward of work, to secure the material conditions, not only of a healthy life but of what we may call succinctly, a civic life.<sup>1</sup>

<sup>1</sup> It will be seen that there is a possible discrepancy between what is "fair" from the industrial and what is fair from the social point of view. A piece of work may require no faculties

Next we may remark that the wherewithal of these conditions might be obtained through the regular weekly wage. For this purpose the wage would have to be enough, not only to maintain an average family, but to meet all the contingencies of life, to provide education and rational amusement, to lay by against sickness, unemployment, disability, and old age. Where remuneration is, in fact, sufficient to cover all these liabilities, people are expected to make provision for themselves and their families accordingly. It is the growing sense of the inadequacy of the wages of manual labour in general to meet these requirements which is prompting the State to undertake some of them for the worker, and to assist him in respect of others. Of the economics of such provision we shall speak later. For the moment we have only to note that in so far as any requirement is supplied from other sources, it reduces the minimum which the "fair" wage must cover. For the present, however, we may take the minimum amount of the fair wage as that

but those of a healthy animal; it is, industrially, overpaid by a wage that barely suffices for the "civic life." Conversely labour so mechanical is, for a life work, something of a degradation to a human being. Thus there is loss to both parties, to the worker and the industry. This equalises matters in a sense but in a disastrous sense. The discrepancy may be partially remedied by provision for some of the workman's needs out of the surplus wealth of the nation, but is fully overcome only when the conditions of industry are such that the lowest quality of labour employed is worth the socially fair wage and, in fact, earns it. We shall see later that at least an approximation to this equation is in practice a condition of the attainment and maintenance of a fair-wage standard. Meanwhile note that for us the social point of view governs the economic. We are considering the individual in account with society and are asking what is due to him and from him to the entire structure of social organisation. The answer is on the one side the conditions, on the other the active fulfilment of a civic life.

which will maintain an average family—a man, wife, and three children—in healthy and socially desirable conditions, including the provision against sickness (and, in certain trades, unemployment) which the Insurance scheme will require, and including provision against any other contingencies with which the State does not deal.

Further, we must insist that the wages of an adult man alone should suffice to meet these requirements. True, the wife may be a wage-earner, but so far as she gives her time to industry it is withdrawn from the management of the home and the care of the children. That this is generally desirable few would maintain, and in any case where it occurs an equivalent expenditure on housekeeping and on the care of the children is needed. Equally it is desirable that the household should be independent of the children's earnings, so that their school life may be prolonged considerably beyond the present limit, and that when they begin to earn they should be able to provide for themselves and their own future. We take the standard of family needs, then, as governing the minimum for an adult male worker at the height of his powers. In the case of women workers the desirable minimum is not quite so easy to define. But it is much too hastily assumed that the woman has only to provide for herself. The tragedy of woman's work is that a widow, a deserted wife, an unmarried mother, or perhaps a spinster with an invalid sister, has, in fact, to support others on a wage which is barely enough to support herself. A woman worker may ordinarily be regarded as having others to support, but those others ought not to include a husband or any male relation. The husband ought to be punished if idle, and if invalided or incompetent

he ought to be supported by public charity. Having this in view, we may get at a definition near enough for our purposes if we take the woman's wage as that which would support the average family minus the husband—that is to say, as enough to support the woman herself and three children. Whether, indeed, it is good economy to compel the mother of young children to work outside the home, instead of regarding her services as a mother as entitling her to adequate public maintenance, is a further question. But it does not concern our immediate problem, which is that of defining the minimum wage.

Now, if we confine ourselves to the male worker, it is possible to translate the definition, by the aid of Mr. Seebom Rowntree's researches, into approximate figures. It will be best to give Mr. Rowntree's own words<sup>1</sup> :—

“Let us lay out the labourer's weekly wage, eliminating all waste due to ignorance or laziness. First, then, it will cost 13s. 9d. a week to provide a family of two adults and three children with the nutriment necessary for physical efficiency even if we choose a dietary more stringently economical than that of any workhouse in England or Wales—one containing no butcher's meat, and bacon only three times a week ; where margarine is substituted for butter, and porridge and skim milk figure largely in place of the usual tea and bread and butter. Adding 2s. 3d. for clothing, 1s. 10d. for coal, and 2d. per head for sundries, we get 23s. 8d. as the absolute minimum on which a family of five, paying 5s. for rent, can be maintained in a state of physical efficiency. It must be remembered that this sum allows nothing for sick-clubs or Trade Unions, or beer

<sup>1</sup> *Contemporary Review*, October 11th, p. 454.

or tobacco, or trams or travelling, or amusement or newspapers, or writing materials and stamps ; and if an evening paper is bought or the children have coppers given them to go and see the 'moving pictures,' physical efficiency suffers."

To put it in a slightly different way, 18s. 8d. plus house rent represents the barest minimum for an average family. In a town this will generally mean about 23s. 8d., in the country rather less, say, 21s. 6d. To make a real minimum living wage it is easy to see, from what Mr. Rowntree says, that something substantial must be added. It could hardly be called extravagant if we put the additional sum at 5s. But it will be safer to say roundly that something between 20s. and 25s. is the minimum in the country districts, and something between 25s. and 30s. in towns.

Now let us turn to the actual figures. In the same article Mr. Rowntree gives, on the authority of Professor Bowley, a table showing that of an estimated population of 8,000,000 men employed in regular occupations—

4	per cent.	earn less than	15s.
8	"	"	from 15s. to 20s.
20	"	"	20s. to 25s.
21	"	"	25s. to 30s.

These figures, of course, include agricultural labourers, but excluding them they show that at least  $1\frac{1}{2}$  million industrial workers earn less than 25s. a week. If, again, we consider agricultural labourers, we find that the average weekly earnings of an "ordinary labourer" in England are given at 17s. 6d., of men in charge of horses at 19s., of cattlemen at 19s. 3d., and of shepherds

at 19s. 7d.<sup>1</sup> It is, then, sufficiently clear that some 32 per cent. of the entire working population earns less than the minimum defined, while the earnings of another 21 per cent. range round the minimum a little above or a little below—that is to say, they are from 25s. to 30s. a week. It must be added that these are the earnings of men in regular employment, that no allowance is made for unemployment and no account taken of the casual labourer. It needs no further argument to show that the actual deficiency of remuneration constitutes the greatest economic problem.

But before considering this problem we have a word to add on the idea of the fair wage. What we have been considering hitherto is the minimum. We are not urging that no one should get more, but only that no one should get less. Some thinkers, it is true, have held actual equality of remuneration to be the ideal. Others have said that there are two forms of injustice. One consists in treating equals unequally, the other in treating unequals equally. If, again, one school of Socialistic thought has pressed equality of reward, another has laid stress on the right of each man to the whole produce of his labour, and has found the iniquity of the competitive régime to lie in the power of the capitalist to take toll of the worker's product. In point of fact it is impossible, in the complexities of an economic order such as that of the modern world, to treat the matter from the point of view of the individual alone, since, apart from any other consideration, it is generally impossible to assign any separate value to the product of a single worker. We must keep to

<sup>1</sup> Standard Time Rates of Wages in the United Kingdom 1910, (Labour Dept., Cd 5459). The figures in each case allow for the addition of the "estimated value of allowances in kind" to actual cash wages.

our assumed standpoint. We are supposing ourselves, that is to say, for the moment to possess plenary power to determine every one's reward, and we are asking on what principles we are to proceed. One of the first things that would strike us if we were in that position would be that in the value of the work that they do men are very unequal, and we should have to deal with this inequality. In doing so we should have to be guided by the requirements of production. We should be responsible for maintaining and improving the efficiency of industry, regarded as the mechanism by which society supplies its material needs. We have agreed that every one who is employed at all should receive the minimum wage. Could we, then, expect for the same wage to get men to face the most arduous and unpleasant forms of work, to acquire and apply the highest skill, to put forth the utmost of their efforts, to give us the best of their brain power? We might expect these results in Utopia, but not, I fear, in the world as we know it. It is true that the best and highest talents never have been paid for, and perhaps work better without pay. Many a poet of the first order has had to be content with less remuneration than a literary hack—"What porridge had John Keats?" But the genius is an exception to all rules, and it is fair to say of creative work—literary, artistic, or scientific—that it is in a measure its own reward. It carries an interest and a perpetually renewed stimulus of its own which no enthusiasm of social service could ever impart to mechanical drudgery. Men who work without recognition are the salt of the earth, but precisely because they are the salt it does not do to generalise from them to the whole lump.

If we are asked on what scale remuneration ought to rise above the minimum, it is impossible to reply *a priori* with any precision. The principle is clear enough ; it is the same that we have used already. The fair wage in every case is that which suffices to stimulate and maintain in permanence the function which is socially necessary. If we were really in that position of responsibility which I have imagined, I take it that we should have to be guided by experience. If we found that we could not get the ability that we required at a given rate, we should have to raise the rate. The only general principle that we could apply is that the minimum is more important than the maximum, and more generally that as we rise above the minimum every successive increment of income makes less and less difference to the real wellbeing of the recipient. If any particular form of ability required so much of us that to pay for it we should have to deplete the fund available for ordinary labour, we should have to put it down as too expensive ; we should have to make shift to do without it. It would not be, from our point of view, paying its way. For our assumed object is to make of industry an adequate basis of effective civic life for all, and this involves a universal minimum, and, for as many as possible, a substantial margin over and above the minimum.

Now, no one has, or is likely to have, the kind of responsibility which I have imagined. But the principles on which we can try to reorganise industrial society are those which we should introduce if we had the power, and they serve as a guide in the judgment of contemporary events. They compel us to give our sympathy and support to all well-considered efforts to raise wages to the minimum, and for any work that involves more



than average effort or skill, for the arduous work of the miner or the skill of the spinner or the engineer, to something substantially above the minimum. In the concrete this means that organisations or legislative methods directed to raising the remuneration of ordinary labour to a level of something between 20s. and 25s. a week in the country, and to something between 25s. and 30s. in urban districts are fulfilling a vital social need, and that efforts directed to the maintenance and improvement of the standard of life of those at present earning anything from 30s. to 50s. a week<sup>1</sup> are in general deserving of sympathy and support. This is not, of course, to say that every movement inspired by these objects is right or wise. Many of them may be so foolishly directed as merely to defeat their own ends. It is to say that society, as a whole, is the gainer by every improvement in the economic standard of those whose family incomes fall so materially below the present general average, provided that the improvement is not obtained at the cost of a general loss which by lowering the average would in the end defeat itself.

One further question of principle remains—that of those who do not rise above but fall below the level of competence necessary to earn the minimum wage. Not every one is worth 20s. to 25s. a week. In this case what is to be done with him? Now, at the present day we have a number of sinecures, rents, annuities, charities, endowments, workhouses, jails, and other admirable arrange-

<sup>1</sup> I take the figure of 50s. as barely double the minimum. Any one who will read again the conditions which that minimum is supposed to secure will, I think, agree that to double it is to make a modest claim on behalf of special skill or arduous labour. The actual average family income in this country may be taken at from £3 10s. to £4.

ments to keep the incompetent from starvation. If society were able to control industry and wealth for the good of its own members as a whole, I imagine that the only differences in this respect would be two. First, it would be *only* the incompetent, and not also the idle, who would be allowed thus to live on the surplus products of other men's industry. Idleness would be regarded as a social pest, to be stamped out like crime. Secondly, the miscellaneous selection of the incompetent for suitable provision at present effected by birth, fortune, favouritism, intrigue, quackery, and other means, would be superseded by a more scientific adjustment. All who could work would have to work, and those who, after adequate effort, proved incompetent to earn by their work the minimum of a decent livelihood, would have to be treated as a particular class of the infirm—that is to say, as subjects for charity or for discipline, or both combined. The worst way of treating them is to allow them to drag on life in semi-idleness and semi-starvation. They are necessarily a burden on the surplus produced by the work of other men and women. But it is not only inhumane but unwise economy to seek to lighten this burden by stinting the actual necessities of life. It is encouraging to find that both the majority and the minority of the Poor Law Commissioners agree that relief wherever given should be adequate, and this means that it should not fall short of the minimum as we understand it. The penalty that must be exacted of those who will not or cannot earn such a minimum is not privation of necessities which will only make them worse, but such restrictions and such discipline as those responsible for relief find it necessary to impose. I need not here go into questions which

have been so thoroughly sifted in the Reports referred to. For our present purpose what is essential is merely to insist that no fringe of incompetent labour should be allowed to remain to drag down by its competition those who might otherwise secure for themselves the minimum standard.

Summarily, then, our conclusions are : (1) that a "fair" wage is that which serves to stimulate and maintain in permanence a socially desirable service ; (2) that of every one a well-ordered society demands a certain standard of civic life and that this involves a certain minimum standard of remuneration ; (3) that in England at present prices this minimum is between 20s. and 25s. a week in rural districts and between 25s. and 30s. in towns ; (4) that above this minimum special effort and ability have a fair claim to such additional reward as is in fact required to maintain the supply, provided always that it is good economy to pay it ; (5) that this economy is directed in the first place to the establishment of the minimum and next to the maintenance of the standard which rises but little above the minimum, the social value of remuneration decreasing from this point upwards as the rate advances ; (6) that those unable to earn the minimum are proper subjects for charity or for discipline, as the case may be.

We have now to ask by what methods these objects can be attained, and whether, indeed, it is possible to compass them. We have seen that some 32 per cent. even of those in regular employment and while in regular employment fall short, while another twenty-one per cent. are in the neighbourhood of the minimum, a little above or a little below, as long as they are well and at

work, but only so long. Thus the problem to be grappled with is sufficiently big. Now, until the other day, there was only one form of organised effort which definitely set itself to maintain and improve the standard of remuneration for labour. This was the Trade Union. Let us, then, inquire how the Trade Union operates and what measure of success it has achieved or can achieve.

Unfortunately, it is not possible to answer these questions by a direct appeal to history, or to statistics. The causes that affect real wages are too complex to be readily sifted out. Thus it is not enough to point out that in general wages have risen where Unions are strong, as compared with places or industries in which they are weak. Nor is it enough to show that the period in which Unions have grown has witnessed a great improvement in the whole economic condition of the classes which have formed them. Other causes besides Trade Unionism have been acting during the period. It might seem a more promising course to point to instances in which the Unions have actually agitated or fought for advantages with success. It would be easy enough to pile up lists of successes from all epochs of Trade Unionism, and from every kind of trade. But it would also be easy to reckon against them many disappointments and defeats. Indeed, we cannot count by victories alone. Though a strike may be defeated, the fight may be justified by results.<sup>1</sup> A brave people may be beaten, but cannot be trampled on and enslaved. So, to put it in the concrete, a Union may fight a reduction

<sup>1</sup> Disputes, it must be remembered, are the failures of Trade Unionism, and are but partially redeemed by victory. That is to say, it is the business of Trade Union organisation to secure reasonable advantages without fighting, and its real success lies in this direction.

of 10 per cent. and lose ; but the stubbornness of the battle may stop further reductions, which would have stripped unorganised workmen of 20, 30, or 40 per cent. Both sides know this, and hence the seemingly narrow issues on which long and stubborn disputes are often fought.

But the most effective Union seldom fights because it has no need to do so. It is by the steady pressure of organised opinion, by the delicate tact of skilled negotiators, by the quietly effective ways about which newspapers are silent, that the best work is done. But when we take this quiet and gradual work into account, no one can tell by any comparison of figures what the effect of Unionism on wages and hours has been, because no one knows what wages and hours would have been to-day but for the Unions. It is not enough to compare the state of non-Union trades, for they, too, have benefited indirectly by the organisation of the others. The standard is set by the combination and the Union men do the fighting for the rest.

Thus the test of direct statistical evidence is very difficult to apply. There are, however, certain very simple and general considerations that are worth looking at as showing how Trade Unionism operates, what sort of help it gives to the worker, and what, in fine, it can and cannot accomplish.

The isolated worker, in bargaining with the employer, is almost always at a considerable disadvantage. If he refuses work there are almost always others who can do it. He cannot afford to wait, for he has no reserve to fall back upon. He is much in the same case as a tradesman who is forced to sell and cannot bandy words with purchasers, but must take what price he can get. And the difficulty has more force the

lower we go in the scale. The poorer the workman is, the less he can afford to wait, and the more unskilled his occupation, the greater the crowd of competitors for it. Competition, of course, may be the other way. The "worker" may himself be sought after. There is a continuous gradation from the great lawyer or doctor who can choose his own fee, and, whatever price he names, will be beset by "employers," down through the mass of professional men and artisans who will wait a bit rather than take a second-rate place, to the crowd of "casuals" who throng round you at a railway-station to carry your bag for a copper. The point is, that the farther we descend the economic scale the keener the competition and the worse the position of the worker for bargaining. His sole resource is the Union. The Union arrests the undercutting process. It provides the fund which enables a man to wait a little while rather than allow himself to be beaten down to a lower price, and it supplies officials to conduct negotiations. On this point there is often much confusion in public discussion. The Union officials are spoken of as third parties intervening between employers and employed. In reality they are agents, and in no other relation of life is the employment of agents questioned. If a man has a house to buy or sell, to let or to take on lease, he probably employs a solicitor or an agent, unless, indeed, the buying or letting is part of his regular business. Wherever a man has no special skill he uses, if he is wise, the special skill of others. Now, the business of selling one's work to the best advantage is a very different thing from the business of doing it well, as many who are not workmen know. But the workman has to live by selling his work. He cannot sell it

advantageously unless he comes to terms with others who have the same commodity to dispose of. Nor does he know the market. Accordingly he forms a union that all sellers of labour may act in concert, and chooses as officials the best experts he can find, appoints them to watch the market for him, and pays them for their advice as to his dealings. In these ways the labourer puts himself on an equality with his employer, the employer being already, as Professor Marshall has pointed out, an absolutely rigid combination to the extent of the number of workers he employs, and being also, as a rule, well versed in the conditions of the market and the general business of bargaining.

Now, *prima facie*, we should assume that if a man is a good bargainer he is likely to be better off through life than a bad one. But we are told by economists that wages, being the price of labour, will tend like all other prices to an equilibrium point. This point is fixed, primarily and for short periods, by two things—(a) The demand for labour—*i.e.*, the amount of money employers are ready to spend on hiring labour; and (b) the supply—*i.e.*, the number of labourers seeking employment at the price employers are willing to pay. To the point so fixed wages will always be tending slowly or quickly. They may never reach it or rest at it, but they oscillate about it as a pendulum swings about the vertical line. Well, let it be granted that in any market prices are all tending to an equilibrium. That will not alter the fact that the least skilled purchasers in that market will get the least for their money, and if there is one class of purchasers less skilled on the average than another, that class on an average will come off worse. Prices will, if you please, ultimately tend to the equilibrium point. Meanwhile the in-

ferior marketers will have bought at the high price, or let goods go at the lower. Here they will hasten to purchase when they might have waited for a fall. There they will sell in a hurry while the market is, in fact, rising. We need hardly labour this point. No one will deny that a good housewife makes a shilling go farther than a bad one, and there is no reason to reverse the judgment when it is a question of a class instead of an individual.

Let it be granted, then, that wages tend of themselves to an equilibrium, and let it be for the moment supposed that no deliberate action can affect this equilibrium, still, the worker who can bargain well will get the advantages of every turn in the market. It takes perhaps years for an expansion of demand for labour resulting from some new commercial development to work itself out unaided on the rate of wages. Let us concede (we shall see reason subsequently for withdrawing the concession) that no Trade Union action can affect the rate which wages will arrive at by the end of that time. Yet meanwhile the market might admit all along of the higher rate. The pressure of tendency will not make itself felt for years if the party which stands to win is not in a position to make use of his advantages. Take a parallel case. A farmer's wife sells her eggs at a shilling a dozen because that is the price this morning and she cannot wait. Another, shrewder, more patient, or less pressed for cash, scents a coming rise, holds back, and finally sells the dozen for 14d. The weak bargainer loses, and if there is a class of weak bargainers it loses as a class and all along the line. Thus it is quite intelligible that there should be sufficient "buoyancy" in the labour market to admit of a



rise years before it takes place if the labourers are neither strong nor far-sighted. Now, if there were any tendency in bargaining to right itself this would not much matter. If the very fact that I am underpaid to-day set some law of justice or economic harmony into operation which would overpay me to-morrow, we should cry quits all round and leave the market to take care of itself. But since such harmonies figure only in the mythology of early nineteenth-century science, it will be readily seen that to be permanently the weaker in a series of bargains is likely to impoverish you in the long run. If then, a Trade Union could do no more than merely "anticipate a rise, or delay a fall," and if it did this permanently and continually its existence would be abundantly justified—its effect on the average rate of wages would be a very real one. And there is no need, we may remark, to suppose that the Union gets the *better* of the bargain, or that it makes "economic friction" work on the side of the employed against the employer. We need not, that is to say, suppose that by combination the worker will get a larger share of the produce than he would *as an isolated worker who should be on perfectly equal terms*, as to acuteness, power of waiting, and the like, with his employer. Nor need we therefore hold that the rate of profit would be lower than it would be under such a system of perfectly free and equal competition. It is quite enough for the Union to prove that it raises wages to the point obtainable by such competition between equals. The fact is that the Trade Union suppresses free competition in one sense, but institutes it for the first time in another. It abolishes the unrestricted competition of isolated individuals against one another which places all

at the mercy of the employer, and substitutes for it a combination of men bargaining for employment on free and equal terms.

So far we have dealt only with the effect of combination on the temporary fluctuations of the Labour Market. Considering the Union as the only effective mechanism of bargaining available for the labourer, we have seen that it enables him to take advantage of the various fluctuations of demand instead of allowing these to take advantage of him. Unionism finds the Labour World in the state analogous to that of a market where skilful dealers are selling to ignorant customers at enormous profits. And just as such a market is revolutionised when the customers become educated and acquire knowledge of goods and their prices, so the old methods of selling the commodity of labour are all upset by combination.

In all this we have assumed with the economists that there is a normal price to which wages tend to return, however violently they may be raised or lowered for a time, and that the Union can have no influence in fixing that price. But the assumption is not accurate because Labour, though a marketable commodity, is not quite like other marketable commodities. If the price of coal falls and I get them 2s. or 3s. a ton cheaper, the coals are just as good as they were before and perform their function just as well. But if wages fall, say, in an agricultural district, from 12s. to 10s. per week, the labourer does not do his work so well. The labourer's capacity for work—an economic factor of the first importance on which the present commercial position of the nations of the world may be truly said to rest—varies directly up to a certain maximum with the remuneration of his work. Send a man out underfed and scantily

clothed to his wintry toil in the frozen farmyard, and bid him return at night to an unwholesome, dirty, draughty cottage, and as the months go by his mental and physical strength is drained. He becomes spoiled goods, and at last has to be thrown away—into the workhouse. Meanwhile his children are growing up under similar conditions, kept mercilessly alive for a battle they are not fit to fight.

When we get below the minimum of comfort the price of labour has an immediate and cumulative effect upon its efficiency. The farther we go below the minimum the more important is this effect—until we reach starvation point. Hence it is clear that anything which affects the reward of Labour for a short period tends to affect its efficiency beyond that period. And the "short period" may be very short. If I take a half-starved tramp off the road and put him to work in my garden, in return for food, clothes, and shelter, for a week, I shall lose on the transaction. If I keep him a second week, he may be capable of twice as much work, and I may be the gainer. This is an extreme case. But on a wider scale, with more far-reaching effects, though in a lesser degree, every increase in wages that are still below the minimum of comfort tends in the same direction. Now it is easy to understand that the efficiency of Labour reacts on wages; for it increases the total produce of the country, and with it, though in a lesser degree, the share that falls to the labourer.<sup>1</sup> Granting, then, that Trade

<sup>1</sup> The total product is divided between Labour and other factors in production in a proportion that depends upon their relative strength. The increase of the total does not necessarily involve any change in this proportion and unless it does so each share will be increased.

Unionism raises the price of Labour for short periods by enabling it to take advantage of every turn of the market, it follows that it tends to make a permanent improvement in the condition of the labourer by the best of all methods, the improvement of the labourer himself.

These considerations help us in dealing with a question which must have been present to the reader's mind from the first, What is the effect of a rise in wages upon profits? This question is forced upon us, not only by general economic considerations, but by the patent fact that in many of the worst paid trades the employers, or some of them, find it difficult to keep their heads above water ; and in some of the most sweated trades the employer is said to be absolutely worse off than his half-starved underling. At first sight this is a paradox. If in the Labour market, and especially in the unskilled Labour market, the advantage in bargaining is almost without exception on one side, profits should be high, and they should be highest where wages are lowest. As it turns out the case is often the other way. The general discussion of this question is a matter for the political economist. It concerns us at present only as raising the question how the employer can afford to raise wages. Must not profits suffer, and will not Capital leave the country?

An increase of wages acts upon profits mainly by affecting the cost of producing goods for the market. But how an increase of wages will affect cost in any case, and how a change in cost of production will affect profits, is very uncertain. But that there may be cases in which the increased cost of manual labour does raise the price at which a commodity can be sold with profit it would be hard to deny. If we are to believe the reports of many, of our

principal railway companies, the "agitator" has by this means largely increased net expenses of many of them in the last few years.<sup>2</sup> Supposing cost of production to be thus increased, what will happen? It is held by some economists that the process will be self-defeating. Capital will leave the country and wages will fall. That this may be the result in extreme cases, and even has been the result in some instances, it would be rash to deny; though we may remark, following good authority, that it has more probably come about, if at all, from injudicious disputes than from simple increase of cost.

Further, if capital does not leave the country, foreign goods enter it, and how, asks the employer, is he to pay 30s. a week and hold his own with the German, who only pays 25s.? This argument meets with the especial approval of the Tariff Reformer, who has his ready specific to meet the case. Keep out foreign goods or compel them to pay a duty, and it at once becomes possible for the British manufacturer to raise prices to the extent of the duty and wages in proportion. The Tariff Reformer's argument would be more impressive if he did not in the same breath assure us that prices will not be raised by a tariff. But this belongs to the humorous side of political controversy. For serious purposes we may assume that a tariff would raise prices in rough proportion to the amount of the duty in each case, and we may ask whether in effect this would help us. We are to raise prices in order that we may raise

<sup>2</sup> The "agitator" is not infrequently attacked almost in the same breath (a) for ruining the employer by causing him to pay higher wages, and (b) for humbugging the workman into thinking that he can get wages raised. But this must be one of the "inner contradictions" of Capital spoken of by Karl Marx.

<sup>2</sup> Written in 1892 and requiring little modification in 1912.

wages above the foreign level. Now at this point again we come upon a familiar contradiction in the Protectionist case which on the surface is merely funny, but has a deeper suggestiveness. For it assures us at one and the same moment (*a*) that we must protect ourselves against the competition of the underpaid workman of the Protectionist lands, and (*b*) that we must imitate the policy of Protection for the sake of the advantages which it confers on the workman. Now the fact that lies behind this contradiction is that it is not the underpayment of the workman which enables the foreign producer to compete with us successfully. A country will beat us in competition where she has natural or acquired advantages, such advantages, for instance, as the chemical schools or the highly-developed commercial technique of Germany. But she will not as a rule beat us by underpaying her workmen, because it has been repeatedly shown by careful comparisons that a firm may employ its men for shorter hours, and pay them more per day, and yet turn out its goods at something less per piece than its competitors. This is due to a combination of causes. The better-paid workman is more efficient, produces more, and destroys or hinders less. The man who sets out to organise his workshop with good and well-paid workers is a better manager. The efficiency and the very expensiveness of labour impose higher organisation. The weaker employers go under. The stronger brains concentrate the business more in their own hands. Production passes into the larger scale. The whole level of competence is raised. The process has its bad as well as its good side. There is in it some of the ruthlessness inherent in competition, and we shall perhaps see a glimpse later of a

more excellent way. For the present we have to note that it is in fact by this all-round reaction on efficiency that increase of remuneration is possible under existing economic conditions. Were there no such reaction, high wages would mean loss and there would be no advance, unless in some favoured industry where profits are ruling so high that employers could incur increased expense without curtailing output.

But would it not in any case be possible to protect the home market by a tariff and so avoid the difficulties of foreign competition, whether due to well or ill-paid labour? It would, of course, be possible to benefit any single trade by a tariff, but not trade as a whole. Our total production is partly for our own and partly for the foreign market, and what we send abroad is paid for by goods sent to us. If we succeed in stopping the entry of foreign goods to the amount of ten million pounds, we stop the export of our own goods to an equivalent value.<sup>1</sup> Nor is this all. Under the

<sup>1</sup> This would be clearer to the general public if exports and imports were evenly balanced. As it is what we import pays for our shipping, for a good deal of banking and insurance work done for foreign account, and interest on capital invested abroad. It is not therefore true to say that every piece of goods imported is paid for by a corresponding export, but it is true that, with the exception of that which is imported as payment of interest, all imports are paid for by British industry. If a tariff were imposed and succeeded in diminishing total imports, foreign investors would still require their interest, and the fall would accordingly affect that portion of our imports which is paid for by exports or other forms of industry. Every such reduction of the import trade would therefore involve an equal curtailment of British industry.

It may be objected that this argument takes no account of the existence of unemployed capital and labour. Suppose the importation of foreign motor-cars were diminished by a duty, this capital and labour might be applied to making them. But foreign and protected countries also have unemployed capital and labour, and the supposed check to their export trade would

actual conditions of our trade the main effect of a tariff on imported goods would be either to increase the cost of production or to diminish the real wages of labour or both combined. For roughly nine-tenths of our imports consist of food and foodstuffs, or materials and appliances for use in industry. The Board of Trade divides imports of manufactured and partly manufactured goods into three classes, which it distinguishes as follows :—

Class A—Articles completely manufactured and ready for consumption.

Class B—Articles manufactured but requiring to pass through some process of adaptation or combination before entering into consumption.

Class C—Articles partly manufactured.

Apart from Class A, everything that we import is either a foodstuff or some material or appliance used in production.<sup>1</sup> But the net imports under Class A amounted in 1908 to 44·8 million pounds out of a total of 513 million pounds. For the four years 1905-8 Class A imports averaged 49·2 million pounds out of a total of 519 million pounds.<sup>2</sup> The remaining nine-tenths of our imports are either foodstuffs or materials and appliances of industry. Hence, even if it did not directly diminish our production by interfering with the exchange of goods, a general tariff would increase the cost of production and make it not

add to it. If the productive power thus displaced could not find a market abroad, it would be induced to find one at home. Home demands would be increasingly met by home production, and the demand for British goods proportionately reduced.

<sup>1</sup> The same is in reality true of many of the objects included in Class A itself, since though fully manufactured they are of use only as subserving some further industrial process.

<sup>2</sup> "British and Foreign Trade and Industry, 1909" (Cd. 4954) pp. 19 and 49.



less but more difficult to raise the standard of real wages. To avoid this objection it would be necessary to confine the tariff to the small class of fully manufactured goods, an impossible piece of favouritism and one that could have no general effect on the level of wages.

The protection of a tariff is therefore illusory. The practical possibility of raising wages and maintaining them at a high level must depend on the response of the workman and his employer to the improvement. Experience has amply shown that high wages and good conditions may also be merely from the point of view of production the most economical. But this depends on the increase of product being at least proportionate to the increase of wages. Suppose that a man receiving 20s. a week produces on the average a value of 30s., the margin going to the other expenses of the industry. Suppose that all these expenses remain the same, but that his wages are raised to 25s. It is clear that his week's work must now be worth at least 35s. unless the cost of production is to increase. In reality it must be worth more, for the increase will imply some improvement of organisation and some further outlay of capital. But let us take the figure at 35s. At this figure it will still be possible for the low-grade works employing low-grade labour at the old rate of 20s. to compete with the firms which pay the higher wage, while if the product is anything less than 35s. the low-grade firms will win in the competition. There will be a tendency to revert to their methods. It is here that the real danger of low-grade foreign labour comes in. The effect is psychological. The employing class point to cheap goods made by cheap foreign labour and ask how they can possibly compete with them if

they are to increase the margin of superiority already enjoyed by the British workman. The workman himself feels the sting of the question, and responds by asserting his solidarity with the foreign Trade Unionist and not seldom by furnishing him with direct material support. I have never learnt that employers on their side have drawn this very natural deduction from their premises.

I conclude that the raising of wages is not a self-defeating process, though it is not free from practical difficulties. The most serious of these difficulties is that the full economic profit of high wages is not immediate. A given individual is not immediately able to produce twice as much because his wages are suddenly doubled. The full effect will not be felt for a generation. An ill-paid workman has ill-fed and ill-educated children, and is the correlative of a driving and oppressive employer. The full effects of an improvement in his conditions are many-sided and gradual. They will come out partly in his own lifetime, more fully in that of his children. They will appear partly in the improvement in his own work, partly in the improvement of methods of business management, and in an actual change in the character of employers. The prevention of underpayment eliminates from the ranks of employers the men who, whether from incompetence or from other defects, are only able to keep their heads above water by employing low-grade labour at an inadequate rate of wages.

The indirect value of Trade Unionism to industrial production as a whole is now very commonly recognised by the most enlightened employers, and I gladly reproduce a passage quoted in the first

edition of this book from an article by Mr. (now Sir William) Mather as expressing opinions rarer then than now.

"We employers owe more than, as a body, we are inclined to admit to the improvements in our methods of manufacture, due to the firmness and independence of trade combinations. Our industrial steadiness and enterprise are the envy of the world. The energy and pertinacity of Trade Unions have caused Acts of Parliament to be passed which would not otherwise have been promoted by employers or politicians, all of which have tended to improve British commerce. And it is worthy of note that this improvement has gone on concurrently with great and growing competition of other nations, owing to the development of their own resources. The enormous production of wealth in Great Britain during the present half-century, which is due to natural resources and the labour and skill bestowed upon their development, has grown most rapidly during a period remarkable for the extension of the power of Trade Unionism. Prosperity beyond the dreams of avarice has followed in the wake of our industrial habits and customs, and these have undoubtedly been largely promoted by the great labour organisations. . . . Every intelligent employer will admit that his factory or workshop, when equipped with all the comforts and conveniences and protective appliances prescribed by Parliament for the benefit and protection of his workpeople—though great effort, and, it may be, even sacrifice, on his part has been made to procure them—has become a more valuable property in every sense of the word, and a profit has accrued to him owing to the improved conditions under which his workpeople have produced. . . ." And speaking of the importance of permanence and stability in a trade, he adds: "The keen interest they feel in seeking to secure permanence and progress in the trade they pursue has been strikingly shown by the fact that Trade Unions have agreed to reductions of wages, advocated short time, and offered many suggestions involving sacrifice on the part of the workers, in order to stem the tide of temporary adversity."<sup>1</sup>

So far we have studied Trade Unionism as it actually works. We have seen that it regulates the conditions of employment in the interests of all the workers. It puts the manual labourer on

<sup>1</sup> Article on "Labour and the Hours of Labour," in the *Contemporary Review* for November, 1892.

an equality with his employer in arranging terms, and accordingly it raises wages and diminishes hours of work. It effects general economy by eliminating incapable employers, and by raising the standard of comfort among workmen it is not only a direct benefit to them, but, by making them more efficient agents in production, promotes the general health of the national industry.

If now we ask what hope there is that Trade Unionism may succeed in establishing fair conditions as above defined for all workers, we shall recognise a far greater obstacle in the weakness of Trade Unions than in any defect in the nature of collective bargaining or in the principle of the fair wage. The competition of non-Union men, and the mistaken policy and narrow interests of some of the Unions themselves, keep the movement back far more than any inherent weakness in the principle of Unionism. These obstacles are, however, being in part overcome by the spread of moral and economic education among workmen, and by the consolidation and federation of Unions. The federal principle has the special merit of overcoming sectional antagonisms and the tendency to a narrow corporate spirit.<sup>1</sup> The larger Unions are in a position to choose abler men to administer their affairs. They are not wont to precipitate expensive disputes, and they command the respect which is necessary as a basis of negotiation ; and as different trades act together it becomes increasingly difficult to deal with them by bringing in outside labour instead of by an open and honourable discussion of difficulties. The first step, then, for

<sup>1</sup> On some of the drawbacks of these extensions, and on the danger that a Trade Union may acquire the power of a monopoly as against the public in certain industries a few words will be said in Chap. III.

Trade Unionism is to extend and perfect itself as a moral, educational, and economic movement.

The forces which it sets working will help it whenever wages are below the minimum on which the worker can best develop his powers. I mean the economic advantages already explained of raising wages to this minimum. If the Unions were fighting against a continual and ever-increasing economic pressure, one might doubt the permanence of their success. But to a certain point their work gets easier as it goes on. The second advance may be more easily won than the first. This holds as long as wages remain below the minimum. Up to that point as a rule a rise of wages really pays in the long run.

Lastly, we have been assuming all along that the Union has to fight the employers and the public at every step. This would once have been practically true, but it is true no longer. Even as regards private concerns the education both of Unionists and of their employers has improved of late years, and the employer has come to see that it "pays" in the end, not only from the humanitarian but from the business point of view, to employ Union men on Union conditions. Still more fundamental is the change in public feeling. The growing inclination of public bodies and Co-operative Societies to pay Union rates marks a new era in the history of Unionism. It is the beginning of a definite system of fixing wages by the moral sense of the community. The rate on which the Unions, the ratepayers, and the best employers agree has moral as well as economic forces at its back, which the inferior employer cannot long resist. As to the justice and desirability of supporting the "living" wage no one who holds the diffusion of the means of the

elementary comforts to be the first object of an industrial system can have any possible doubt. On the other hand, Trade Unionism is weakest just where the need for its work is most urgent. The worst paid workers have not the reserve of force necessary for building up a stable combination, and though the past year has seen a revival of combination among ill-paid and unskilled workers, it is not possible to write as hopefully of the permanent prospects of unassisted Trade Unionism in this direction as it was twenty years ago, when the "New Unionism" of that day was in the full vigour of its youth. Fortunately, in the interval the sense of public responsibility for the condition of the workers has developed, and we have now legislative recognition of the principle of the minimum wage. Wages Boards with statutory powers define wages in four of the most sweated industries, and have already raised them in at least one case in drastic measure. The working of these Boards will be carefully watched, and if they succeed there will doubtless be a steady demand for their extension. It is not beyond the bounds of hope that the minimum wage may become as much a matter of the general law as the limitation of hours in the factory. On the other hand, the law only prescribes minimum conditions in any trade. The maintenance of a higher standard and the general provision for the fair treatment of the individual worker will remain the peculiar function of the workers' organisations. We are likely, therefore, to see the extension of the legal minimum accompanied by an increase rather than a diminution of Trade Union activity.

Thus in securing the fair wage the Trade Union and the democratic State must work together. But the fair wage is only one of the objects of industrial

organisation. We have said nothing as yet of the general direction of production. We have said nothing of regularity and continuity of employment. Though we have had to touch on the support of the infirm and the incompetent, we have said nothing of the sources out of which they are to be maintained. These questions take us outside the province of such control of industry as can be exercised by combinations of wage-earners or by the State acting in the interest of wage-earners as such. They raise two distinct but related questions. One concerns the general direction of industrial activity, the other the disposal of the surplus that remains over when the worker has received his fair wage. These questions direct our attention to other forms of the collective control of industry to which we must now turn.

## CHAPTER III

### CO-OPERATION AND THE CONTROL OF PRODUCTION

IF Trade Unionism represents the control of industry by communities of workers in the interest of all as workers, Co-operation is the system by which production may be organised wholly or in part in the interest of the community as consumers. Let us ask, then, what Co-operation is doing, and can do, in the way of regulating production and making a fair distribution of surplus wealth.

In ordinary usage Co-operation is the name of a movement instituted and maintained by voluntary associations. We shall see reason presently for a more extended usage. But let us first consider the growth and the value of the Co-operative movement in the usual sense. We have not here to tell again the twice-told tale, but merely to recall half a dozen figures to show that whatever be the precise economic value of Co-operation, it is a great and growing power to be reckoned with, and that whatever it can do it probably will do on an ever-increasing scale.

Not to go back to the days of infancy, there were, in 1862, 440 Co-operative Societies known to exist in England and Wales, with a membership of 90,341 persons. Their sales in that year amounted in round numbers to £2,330,000. They made a profit of about £165,500. In 1890 there



were about 1,303 Societies existing in England and Wales, of which 1,092 made returns published in the Report of the Co-operative Union. These 1,092 Societies had a membership of 883,000, and sold goods to the amount of £33,000,000 during the year, with a net profit of £3,200,000. In addition, there were 333 Societies in Scotland, with a membership of 171,000, bringing the total membership of the Co-operative State to something considerably over a million persons.<sup>1</sup>

In 1910 there were 1,555 Societies making returns, including 25 in Ireland (291 in Scotland<sup>2</sup>). Of these 1,428 were Retail Distributive Societies, which had 2,542,532 members, and sold goods to the value of £71,861,383, with a net profit of £10,938,331. Thus in a generation before 1890 the Co-operative population increased nearly tenfold, the business nearly fifteenfold, and the profits twentyfold. In the twenty years since 1890 the population has again more than doubled, while the business and profits show a corresponding increase.

We have now to ask, What is this great movement doing for the interests we have at heart? What is the economic significance of Co-operation? In most industries at the present day the production of any article is left to any one who chooses to undertake it. A man makes soap, or cotton, or clothes, not because he wants to use all that he turns out from his mill or workshop himself, nor necessarily because some one else who is going to use them has ordered them, but because he guesses or calculates from the general state of the market

<sup>1</sup> See the "Report of the Twenty-fourth Annual Co-operative Congress, 1892," p. 136.

<sup>2</sup> The number of Scottish Societies has decreased since 1892, but the membership has risen from the figure given above to 409,522. See the 43rd Report of the Co-operative Union (1911).

that some one or other will buy what he makes. The case is not much altered when the actual manufacturer produces for a middleman. The middleman is not a consumer, but an agent in production, and when the speculation and the risk are not undertaken by the maker of goods, they are merely handed over to the merchant, whether he be the large wholesale dealer or finally the shop-keeper. The modern system of commerce, then, will not be greatly misrepresented if we figure it as being carried on between two individuals, A and B, in such a way that A, without consulting B, guesses at what B will want, and spends much labour in making it, B meanwhile doing the like for A. The natural consequence is that when A and B come together to exchange their goods they do not find themselves altogether suited. For example, instead of A making hats for both, while B made boots, it may have occurred to each of them to make hats. The result is that they will have four hats between them and no boots, and severe commercial depression will ensue. The superfluous hats will be worthless, and both A and B will go barefoot.

Now, something like this actually occurs in our industry. One employer is, of course, not wholly ignorant of what others are doing. He watches the course of trade, and forms the best judgment possible of the probable fluctuations of the market. But it is the interest of each employer to extend his own business, whether at the cost of others or not. There is, therefore, a constant pressure to expand, which in process of time has its effect in a collapse of prices, which makes it impossible to pay the fixed charges on industry and leave a margin of profit. Stagnation ensues. Production is arrested till prices begin to rise again and

the cycle renews itself. There is no systematic attempt to get what is necessary and good for the community produced, neither more nor less. On the contrary, every man produces what he thinks some one will give a good price for, and if many other people have been thinking the same thing there will be a glut in the market. And hence the paradox of modern industry, that plenty is the cause of starvation.<sup>1</sup>

Now, if we go back to A and B we may hope that they will learn wisdom from experience. They have but to take a very simple step. Instead of retiring each to his own abode to work apart, they have merely to consult with one another as to their respective needs, and set about to help one another in supplying them. Instead, then, of A making something that he thinks B will buy, with a view to profiting on the exchange, while B works similarly for his profit, A and B will now work together, create a joint product, and share it between them—in other words, they will co-operate.

Now, the beginning of this method, humble as it is, is seen in the Co-operative Store. Instead of leaving it to individual millers and shoemakers and grocers to supply their needs and make what

<sup>1</sup> It was at one time contended by economists that permanent and general over-production is an impossibility. This is probably true, supposing the machinery of exchange—social and material—perfected. Meanwhile, nothing prevents continual and repeated over-production in many departments of industry at once, over-production being understood relatively to the existing effective demand. From the point of view of good economic organisation there is over-production whenever the price is too low to allow adequate remuneration for producers, whether employers or employed. Such a contingency is not only possible, but frequent, the low price continuing for considerable periods, and varying according to circumstances—*i.e.*, according to the ease with which demand for the article expands or the supply of it gets contracted.

profit they can, Co-operators undertake to supply their own needs, or to direct others to do so. Co-operation accordingly represents the organisation of industry by a community of consumers in the interest of all as consumers. As such, it is the natural supplement to organisation by producers.

Now, a Co-operative Society, like a Trade Union, is primarily an association of some of the residents in a particular town or village. As such, its scope and influence on the regularity of industry and the distribution of wealth are necessarily limited and partial. It is, for one thing, almost entirely confined to the business of shopkeeping. It is thus a partial regulation of one form of industry in the interests of a small group of consumers. A wider future opened upon Co-operation when the Federal principle was introduced. We have seen something of what Federation can do for the Trade Union movement. What it has done for Co-operation is even greater. It has transformed an aggregate of isolated and comparatively petty shops into an almost national organisation, undertaking wholesale production and distribution<sup>1</sup> on a scale large enough to form an appreciable fraction of the commerce of the country, and linking a million men and women all over the island by a common interest. Through the Federal principle, then, Co-operation and Trade Unionism are growing to be modes of *national* organisation, and it is only as their development in this direction grows complete that they take their true place as contributing to the collective control of in-

<sup>1</sup> The two great Wholesale Societies exist to supply the Retail Stores. They are, in fact, associations of which the local societies are members. The English Wholesale had, in 1891, a membership of 966 societies, and sold goods to its members to the value of £8,000,000. In 1910 it had 1160 members and its sales amounted to £26,567,000.

dustry in the interests of the nation as a *whole*.

The Co-operative Society, according to our analysis of its principle, is a community of consumers, undertaking, through their committee and officials, to provide the goods they require for their own use. They find the capital and direct the management, and we have thus a form of the control of production by consumers.

This fact has been in some degree obscured by the tendency of the movement to concentrate itself upon that form of production which is known as retail trade. Many people would hardly consider the retail trader as a producer at all, and are puzzled by the inclusion of shopkeeping among the branches of production.

But there is a genuine sense in which everybody is an agent of production who assists in conveying goods to the consumer. The baker's boy who brings the bread round in a cart to the house is no whit less a producer of the bread than the baker who makes the loaf, or the seamen and railwaymen who carried the wheat from the Argentine. What one wants is not wheat that is in the Argentine, nor bread that is in the bakery, but a loaf on the table; and every one who has assisted in making the loaf out of its original material, and in bringing it to the table, is equally an agent in the production of the loaf which is required. But, furthermore, Co-operation is no longer confined to retail trade. It not only, as above shown, does a large wholesale, and therefore also a large transport business, but it is steadily extending itself to manufactures of various kinds. Here, then, we have a vigorous and growing movement based on the principle that the customer sets the producer to work, and regulates his in-

dustry through his committee. That is, we have the beginnings of a machinery for correlating demand and supply, and thus doing something to mitigate the fluctuations of trade, from which all classes suffer so much.<sup>1</sup>

Now, in a Co-operative enterprise profit either accrues to the community or it is simply abolished. The method by which this is effected is well known. The member purchasing goods at the Co-operative Store pays, in the first instance, the full market price of the article. But he receives a tally for the amount of the purchase, and on sending in his tallies at the end of the quarter receives a share of the dividend proportionate to the amount of his purchases as guaranteed

<sup>1</sup> This result cannot, indeed, be expected on any great scale until a far larger proportion of the trade of the country is conducted, in one form or another, on Co-operative lines. But the tendency is already evident. Both Mr. Mitchell and Mr. Maxwell (Chairman of the Scottish Wholesale Society) dwell on this effect of Co-operation. Mr. Mitchell (Evidence before Labour Commission, p. 13) expressly attributes the greater continuity of work for the Co-operative employee to the fact that "we have an organised market for our productions." Mr. Maxwell (Evidence, p. 36) says that, owing to the steady increase of trade, "workmen and workwomen have almost a certainty of constant employment in the Society." In the clothing factories, he says, "during the slack season we are so certain of an outlet for our productions, we make up larger stocks, thus giving employment all the year round." There is, again, a confidence in the relations of the Wholesale Society and its customers, which prevents injury from the small accidents of commerce, and tends to stability. And this result would be more marked if Co-operative trade were large enough to set the tone to industry as a whole.

Messrs. Hallsworth and Davies, on the other hand ("The Working Life of Shop Assistants," pp. 108 *seq.*), hold that regularity of employment in co-operative service is a thing of the past. Yet they give tables of members of the National Union of Shop Assistants on unemployed benefit from which it appears that the average percentage on benefit since 1894 has been 7'3, while the corresponding figure for the Amalgamated Union of Co-operative Employees is 2'0.

thereby. To some people this looks like a mere clumsy way of giving to him with one hand and taking away with the other. "Why not lower prices at once?" they say. Others have attached importance to it as a means of encouraging thrift by putting people in possession of two or three pounds at once, instead of saving for them on each purchase. But there is more in the device than this. It cancels profit. A society of consumers has undertaken production. All the producers being paid, cost of production, including management, being met, there remains a balance. This balance would be a profit if the community were selling to outsiders. But they are selling to themselves. There are, therefore, two things that they can do with the profit. They can either communise it—apply it to certain common purposes. Or they can cancel it—that is, return to each individual the share of the profit that has been made out of his purchases. Actual societies follow both methods, but in unequal proportions. They reserve a percentage for provident and educational purposes, and the rest they return.<sup>1</sup> Both methods abolish profit on exchange in the strict sense of the term. There accrues from the sales a surplus value over the cost, and this is profit. But the profit returns to those out of whose pockets it comes—to the individual purchaser or the community. There are no separate business establishments exchanging one with another, and

<sup>1</sup> In earlier editions I described the whole of the profits as communised. This is an error, and I fancy an error closely connected with the actual weaknesses and limitations of Co-operation. Had the Co-operative Societies really determined from the first to hold the profits as a common possession, and found means of investing them, for example, in land and houses for members, co-operation might have spread automatically and we should have heard fewer complaints of the individualistic spirit within it.

therefore no one who makes profit out of another. The nerve of competition is severed.

Now, voluntary Co-operation is a great and growing movement, and some of its more modern developments are of great promise for the future of the country. But the total fraction of the national industry organised on this basis is still very small. We should have to wait a very long time for social progress if we had nothing to trust to but the growth of this movement, beneficent as it is. But, in fact, one of the greatest services that the Co-operators have done is to set a model of the control of industry by associated consumers. The model can be followed, at any rate the principle involved in it can be applied, in directions and by methods very different from those of the Co-operative Store.

There are many things which practically *all* the members of a community require. Such are security to life and property, good roads, means of conveyance and communication, light, fresh air in open spaces, water, and the rest. And as to these, notice that demand is very constant, and people are very nearly unanimous as to the *quality* of the article desired. There is little room for variation of taste in the matter of drinking-water, or even railway travelling. In these cases, then, where all, or nearly all, people require a commodity, and where individuals do not differ much in their tastes, a different form of co-operation has been growing up—I mean the co-operation that makes use of legally established machinery. The dwellers in any thriving town which provides itself through its corporate government with the requisites mentioned are, industrially considered, members of a large Co-operative Society. They find that as a body they have certain needs in



common ; they direct their servants, the mayor and the councillors, to make arrangements to supply these needs, and they raise the necessary capital by a rate upon themselves. This is Co-operation, or, if you prefer it, Socialism. On this side the two ideas are one. In each case the persons who are to use the product set the producer in motion, and determine the quantity and quality of the product.

In this, as in voluntary Co-operation, we have the community of consumers directing production ; if there is a surplus over the cost of production, it can be used either to reduce prices or to relieve the rates or for public improvements,<sup>1</sup> and for this area of industry once more we eliminate "profit on exchange." Municipal trading, then, is simply a step to the collective control of industry in the interests of all. It differs from voluntary co-operation essentially in the employment of legal machinery, a difference justified by the nature of the commodities provided. Its works are financed out of the rates to which every householder must contribute whether he personally requires the service or not. The Co-operative Society is an association which any one is free to join or leave. The municipal business is one in which every rate-payer must take his share of the risks. In the case of the State the compulsion is even more general. Every one who lives in the country may be said to be a partner directly or indirectly in its undertakings. Yet industrially considered the national and the municipal government differ in size rather than in anything more fundamental ;

<sup>1</sup> The alternatives are closely analogous to those already described in the case of the Co-operative Society. In the first case profit is cancelled ; in the second and third it is applied to common purposes.

and if the dwellers in a municipality may, with advantage co-operate for producing what is needed for their town, a whole nation may, with equal advantage, set its central government to work for things pertaining to the country as a whole.

Two objections are taken both to municipal and to national trading, which must be briefly noticed. The first turns on the very principle of compulsion. A man wishes to educate his own children at home or at a private school. Why should he be made to pay rates and taxes for the education of other people's children? Again, he has a motor-car and never uses the trams. Why should his money be risked—even if there is a chance of ultimate return—on the tramways? He does not use electric light, or could conveniently supply power enough for himself. In fine, he cares for none of these things. These questions probe deep into the social structure. At this point it is sufficient to reply that there are two sides to the account between the State and the individual, or the city and the ratepayer. The prosperous citizen who has built up a great business through energy, ability, and enterprise is apt to think of himself too exclusively as the architect of his own fortunes, and of the machinery of life that he finds to his hand as though it were the gift of Nature. The State taxes, the city rates, present themselves to him as a mere deduction from his profits, a burden imposed upon him by a community which gives him nothing in return. In some measure this burden is increased by the necessities of less prosperous people to whom he would not mind giving something in charity, though he resents the compulsion. On reflection he may recall that he himself uses the streets, and he may even be persuaded by figures that his motor costs the public

something in road repairs. He will admit that lighting and sanitation affect him, and on consideration he may acknowledge that policemen and prisons exist very largely for his good. What he seldom succeeds in grasping clearly is that he himself only exists through the goodwill of society. The business of which he is doubtless in a direct sense the immediate creator is in a more indirect but equally real sense the creation of society. It is the outcome of the entire social order. It presupposes peace, prosperity, industry, health, unimpeded commercial intercourse, a certain degree of probity and competence in business dealings, a measure of intelligence, sobriety, and uprightness in the classes from which his employees are drawn, and a hundred other things, to name any one of which is to mention some element in the social order, something which has been achieved in degree by the painful efforts of successive generations of reformers, something which can only be achieved in higher degree by further efforts of a social character. Now, to the prosperous individual the community has a right to say: "Go to. You think that you *made* yourself, and that we are a mere drag on you. But before you ever were we are. We sheltered and nourished your life. We are the order which made your path straight. We are the atmosphere of thought from which you took your ideas, which you imagined to be your own. We are the men and women whom you employ. We are the men and women who buy of you. Without us you are absolutely nothing. We quite grant that without you and the like of you we, too, should be less than we are. You are a part of us, and a part which we can value. But grant, if you please, that this is a partnership, that we are partners whom you

cannot dispense with, and that we may make our terms for the continuance of the association. Our terms are that you contribute your rateable share to this common life of ours and to the things which, judging according to the best of our lights and after hearing all points of view discussed, we deem advantageous to its healthy maintenance and further development. If you do not personally benefit by this or by that enterprise, ask yourself whether you do not upon the whole gain in health, security, and comfort from the measures taken to promote the general health, the general comfort, the general intelligence. If you are still not satisfied we must ask you to reflect that you are repaying a debt and that we are far from demanding twenty shillings in the pound."

The argument for compulsion rests entirely on the social value of the State or municipal organisation. In industrial matters it is commonly opposed by the contention—and this is the second of the objections to which we have referred—that public service is less efficient than private enterprise. This contention is not easy to confute by a direct appeal to the great extension of municipal undertakings. That extension, indeed, would hardly have continued as it has done if the municipal undertakings were generally ill-conducted. But it is open to objectors to reply that hitherto public enterprise, whether national or municipal, has been confined to a single class of public services. The alternative to public organisation was monopoly. Gas-works, water-works, tramway services, it would be pointed out, do not provide a suitable field for competition. There could not well be two sets of tramlines following the same route, nor could there consistently with economy be competing gas-mains or rival electric supplies. Now, the objectors would

very generally admit that, monopoly for monopoly, a public service is preferable to private supply. If there are monopoly profits, they should go into the pockets of the community. If there is to be monopoly management, it should be in the hands of men responsible to the public, not of men whose business it is to make as much as possible out of the public. Thus it would be said there has been a perfectly intelligible reason for that extension of public enterprise which the last quarter of a century has witnessed, but it is a reason which, rightly understood, puts a limit to that extension. The best organisation of industry in the interest of the consumer is that of perfectly free and open competition. For where competition exists producers will always be endeavouring in their own interests to attract custom by lowering cost, devising economies, and inventing new and more effective methods. Where competition fails there a public body steps in to prevent things falling into the hands of monopoly, but not elsewhere.

It must be admitted that the extension of public enterprise has been in the main in the sphere of monopoly, and it may be admitted further that the most suitable sphere of public enterprise is the supply of goods of standard character, in universal or very general demand, and not admitting of much variety of taste. Where there is great variety of individual taste purely individual production will probably have a permanent function. The spheres of literary and artistic production are the typical examples. In other cases, again, where certain groups of people desire a special commodity in common voluntary co-operation has a part to play. The political, literary, or scientific association which runs a journal and perhaps maintains premises, a laboratory, or an institution for its

common purposes, is a case in point. But there seems to be no valid reason for placing a definite limit on public enterprise at the point where monopoly ends and competition becomes possible. The municipal services have been sufficiently developed to prove that a public body can, if it has a mind, run an industry with great efficiency. In fact, of late years it has almost ceased to be necessary to argue the abstract principle. People in general would agree that the desirability of entrusting a particular service to a public body depends on the nature of the case. In this country we have brought our public service to a point at which we can generally rely on at least as high a standard of honesty and good sense as in private enterprise, and if in any case people see some palpable reason for the public organisation of the supply of a necessary they are no longer willing to listen to general and abstract reasons for refusing to make the experiment. Meanwhile there are definite advantages to be gained from public organisation. There is the control of the conditions of labour, the organisation of industry which tends to mitigate periods of industrial depression, the economies of large scale production, the common enjoyment of the profit, and from the point of view of the consumer the public guarantee of the soundness and regular supply of the article. On the other side, if the public undertaking of a service is not opposed, neither can it be pressed on merely general grounds. The public service must maintain and develop its efficiency in order to justify each new extension. All that we can insist on here is that, given equal efficiency, there are definite points gained by public control in the communisation of profit, the regulation of industry, and the opportunity of maintaining the conditions of labour in accordance with public feeling.

But these advantages are no small makeweight in the scale. In substituting Co-operation—whether voluntary or State-regulated—for competition, we are introducing a new and, I should contend, a desirable principle into industry.

Those who at the present day carry on business for personal profit or wages are unintentionally performing a social function of the first importance. I say unintentionally, because, as things now stand, neither employers nor workmen exercise themselves much, as a rule, about the social usefulness of the commodity they are producing or distributing. For them the one thing needful is to find sufficient purchasers, and the true commercialist spirit cares little for the destiny or usefulness of the commodity it has produced when the sale is once made. Of course there are honourable exceptions to this rule. There are men who would rather starve than engage in a socially noxious traffic of any kind, and there are many who would bear considerable loss rather than turn out an unsound article. Nevertheless, the difficulty of stirring any social feeling against trades, or forms of conducting trade, which cost the lives or impair the health of many, is a sufficient evidence of the fact that, however important be the actual function subserved by producers under an individualist system, the performance of that function is not the motive of production, and, certain honourable exceptions apart, bears no relation to that motive at all.

Since, then, the all-important work of supplying the material and other needs of society is left to Nature or to chance, there is little need for wonder if the said work is ill performed. Nor is it of the slightest use to hurl denunciations at the head of any particular class at present engaged in pro-

duction. If over-pressure of work alternates with enforced idleness, if 50 per cent. profits are found side by side with ruin, if shoddy or adulterated goods fill the market, society has no one but itself to blame. It countenances and upholds a certain system—or rather absence of system—and it must take the consequences.

The reform needed, then, is a quite different method of producing wealth. We want a new spirit in economics—the spirit of mutual help, the sense of a common good. We want each man to feel that his daily work is a service to his kind, and that idleness or anti-social work are a disgrace. This new spirit, and the practical arrangement for giving it effect, we have seen growing up from small beginnings, with many drawbacks and limitations, in the movements here reviewed, and we see accordingly in their development the best hope for the immediate future.

But now, supposing this control of industry by consumers completed, with all the results above enumerated fully realised, what guarantee is there, it may be asked, that the worker will be adequately paid or good conditions of work secured? We may regulate trade, and so increase our total product, and we may communise our surplus, but all without adequately remunerating the worker. This is particularly obvious where the communities of consumers and producers are not the same—*i.e.*, when men consume who do not produce. Take a Co-operative Society employing workmen, shop-assistants, &c. These employees need not be members of the Society, and if they are, they may be a very small minority. What is to safeguard their interests? How can we be sure that the Society will not be as anxious to increase the common profit at the expense of the workers as an



ordinary Joint Stock Company, which collectively is apt to be far more callous in such matters than its members are as individuals?

There are two possible answers. First it may be said that the principle of democratic control will suffice to secure every class against overwork and under-payment. Thus it would be contended that the Co-operative movement owes its vitality to a spirit of mutual aid, which would not tolerate unfair conditions of work for its own employees. In fact, co-operators have in more than one instance taken a leading part in improving conditions of employment. They led the way in the reduction of hours for shop-assistants, and in this respect critics admit that they compare favourably with private employers.<sup>1</sup> As to wages and general conditions, the case is not so clear. In a number of stores Messrs. Hallsworth and Davies find the average minima for male assistants to vary from 24s. 2d. in the grocery to 25s. 6d. in the butchery departments, but they maintain that these figures apply mainly to the "organised and best-paid co-operative workers," and they quote cases of men receiving less than £1 a week, which is not a living wage.<sup>2</sup> For women assistants they give an average of 15s. 10d., but they also quote instances of more serious under-payment.<sup>3</sup> A vigorous movement is now on foot for the establishment of a general minimum wage. A Committee of the Co-operative Union reported in 1908 in

<sup>1</sup> "It is, of course, well known that so far as hours of labour are concerned co-operative societies are far in advance of private establishments" ("The Working Life of Shop-Assistants," by Jos. Hallsworth and Rhys J. Davies, p. 13). The writers are "members of the permanent staff of the Amalgamated Union of Co-operative Employees." A table (p. 79) shows considerable reductions in hours between 1893 and 1909. Only 99 of the Societies making returns at the later date had a working week exceeding 58½ hours.

<sup>2</sup> *Op. cit.*, pp. 46 ff.

<sup>3</sup> P. 57.

favour of a wage of 24s. for men and 17s. for women,<sup>1</sup> with a corresponding scale for boys and girls, and over a hundred societies have adopted this scale,<sup>2</sup> but the Wholesale Society has hitherto (April, 1912) declined to do so. Upon the whole it may be said that while materials for a full comparison with competitive trade are not available, the impression left by criticism of the Co-operative movement on this side is that it has done something for the position of the employee, but that it has by no means done enough to justify the view that the conditions of labour may safely be left to the care of an organisation of consumers.<sup>3</sup>

We come, then, to our second answer. The natural guardian of the rights of producers, or any branch of producers as such, is the Trade Union. Now, this answer is not free from difficulty. When an industry has become a branch of the public service, a strike wears something of the aspect of rebellion. Even the railway strike of 1911 was regarded in this light in some quarters, though the railways are not national property, and though the men were striking for the elementary rights of combination. But apart from nationalisation, as industry becomes more and more an interdependent whole it offers opportunities to form combinations, whether of labour or of capital, to paralyse the whole by a stoppage at certain vital points. If any single organisation independent of the State controls the coal, the railway traffic, or in any great town the lighting, it is in a position to exact heavy terms from society for permission

<sup>1</sup> The Women's Co-operative Guild recommend 19s.

<sup>2</sup> The *Co-operative Employee*, March, 1912.

<sup>3</sup> In some cases it appears that societies even disfranchise employees, not allowing them to speak or vote at business meetings (Hallsworth and Davies, pp. 140, 141).

to go on with its ordinary avocations. The danger is likely to increase with the development of invention. The day may come when all the main industries will be dependent on a supply of electrical energy, and those who control this energy will control the situation. This is one of the reasons which will force society, with or against its will, to assume ultimate responsibility for the supply of the fundamental necessities. But even if all such services were directly managed by State officials, it is only one side of the problem that would be solved. The State might control the management, but the labour problem would remain. It is not enough to reply that the workpeople would have the vote to guarantee just consideration of their rights. This proves both too much and too little. The voting power of public servants when well organised and selfishly exercised is already in certain places a serious political problem. It means that certain seats are won and lost on considerations of work and wages which are not broad considerations of public policy. In proportion as public services are extended the problem will become more urgent, and the cry will be to remove all spending departments from direct parliamentary control in order to save elections from turning on questions of the wages and hours of certain local classes of public employees.<sup>1</sup> On the other hand, if the workpeople

<sup>1</sup> This is at best a partial solution. The ultimate control must remain with Parliament. Now, recent events have brought the nationalisation of railways to the verge of practical politics. Should this step be actually taken the political problem would at once become urgent. In almost every constituency there would be a group of public servants, numerous enough in many cases to turn an election. But we could not suffer a large proportion of elections to turn on bargains between candidates and public servants on questions of hours and wages. The only

are not politically organised and concentrated they may get very insufficient attention. In particular the worst paid, who have always the greatest difficulty in stating their case and making their voice heard, may be left to the somewhat chilly mercies of officialism. The difficulty would remain if the entire industry of the country were under national control. Each individual, and what is more important, each section of workers would still have particular interests opposed to the interests of others. Hence within any period which we need consider it will remain necessary, for each group of workers, whether engaged in the public service or not, to form and maintain their own organisations for their protection.

But if the right of combination is to be granted to the weakness of the individual, what of the power of combination in the vital industries? Where an industry is like a main artery which one might compress with the finger and so stop the entire circulation, is any one but the community to have the control of that artery? If a close combination can control the entire coal trade, what terms might it not demand of the public for the means of warmth and of industry? It is to be observed here that, given perfect combination, the workman is in a stronger position for once than the employer. For in the last resort as against a group of coal-owners the State might appropriate and work the mines. But no power of law could compel half

resource would be to let railwaymen group themselves for the return of their own candidates as between whom general political sympathies would decide. This is the solution proposed by the advocates of Proportional Representation alike for this and for other multitudinous difficulties that arise from the great complexity of the issues submitted to the constituencies at any election.

a million of men to go underground as long as they choose to "clem" on the surface. I do not suggest that the Miners' Federation, or any other Trade Union has ever yet enjoyed, still less that it has taken undue advantage of such power. On the contrary, in the recent strike the demands of the miners were moderate, and their power, as the event shows, much more restricted than appeared on the surface. In general Trade Unions have been the organisations of the weaker party, and they have in the main fought for rights, or for gains which command the sympathy of impartial men. But we have to deal with a possibility which may at any time arise, and we have to ask how Society will be able to protect itself. Without pretending to a complete theoretical solution, it may be suggested (1) that the recurrence of disputes in the vital industries will probably force the State to assume close control of their conditions, and quite possibly the direct function of management; (2) that to disallow combination would be deeply resented, possibly futile, and possibly also a source of future injustice to the public employees, and that accordingly (3) the State will be forced to protect itself by other methods. In the case of coal a simple and probably sufficient method would be that of accumulating stocks by keeping up full work in slack times, stocks which, if they belonged to the community, would save the public from being fleeced in the preparatory period of a struggle, and which should be sufficient in quantity to outlast a strike.<sup>1</sup> In other cases it would be wise to secure

<sup>1</sup> It must be borne in mind that the greater the number of strikers involved the greater is the difficulty of holding them together through a long period of privation. It is impossible to think that 1,000,000 men scattered through the kingdom would,

an alternative staff, and this will not be difficult if the public services increase in number. It will be a matter of organising technical instruction, which would, in fact, be desirable on other grounds.

Furthermore there are many channels through which Trade Unions become penetrated by wider, more unselfish, and more enlightened views of their duties and their interests. Less and less can a small group look to its own interests alone or maintain them in opposition to public needs. The federation of Union forces, if formidable in the extension of power which it gives, is surely beneficent in subduing and harmonising local rivalries and stimulating a broader outlook. But if we conceive Trade Unionism as extending its borders so as to include the bulk of the working population, we may reasonably expect a parallel development of such connecting links. There would then be a regular machinery for the adjustment of disputes between different classes of workers. At the same time, some such principles of remuneration as have been suggested above are, in fact, coming to be recognised, and in proportion as they are generally accepted they will form a basis for the impartial settlement of disputed claims. Lastly, in so far as remuneration is fairly adjusted and profit brought into the public coffers, the sense of a common interest in the economic prosperity of the nation becomes a living force which may hold in check though it cannot extinguish sectional ambitions and class or trade selfishness.

In the last chapter we saw that the control of in fact, hold out against long privations without a deep conviction, of a just cause. But given such a conviction, it is desirable that they should have some power of holding out even as against the community.

industry by consumers was the necessary supplement to Trade Unionism. We have now seen that the control by consumers, whether in the form of voluntary Co-operation or of Municipal or State Socialism, leaves a gap which even at the cost of permanent possibilities of friction must be filled by organisations of workers. For any period that we can reasonably take into account the Trade Union has a permanent function in the furtherance of industrial progress. We are led, therefore, to consider these different forms of the Labour Movement as necessary to one another. In fact, in one shape or another all three alike are introducing the principle of the collective control of industry by the community in the interests of all its members. They are seeking to replace competition and the forces of individual self-interest as the arbiters of industry, by a deliberate and systematic arrangement of labour and commerce in the best interests of society as a whole. They are all at present in an inchoate or incomplete condition which, to some extent, disguises this common character, but this none the less expresses their essential tendencies and the secret of their life and vigour.

Within its own sphere, and so far as it is able to carry out its objects, the Trade Union entirely supersedes free competition between individuals actuated by their own interests as the controlling force of industrial life. Where the Union is strong the individual workman is powerless against it. He has to conform to its regulations as to wages, hours, and conditions of work, no matter how much better a bargain he may think that he could drive on his own account. It might pay him on occasion to take work below the standard wage, but the Union will prevent him. He may be able to work

beyond the regulation hours without injury to himself. He is forbidden by an association of men of average strength. He might be willing and able to take risks which others shun, but it is not allowed him. In every direction he is limited and confined. It matters not in the least that the compulsion is not put upon him by the law or any legally constituted authority. His "liberty" is "interfered with" every bit as much wherever the Union is sufficiently strong for the purpose. He has to learn the lesson that a man must put up with some losses and inconveniences for the general good of his neighbours. He is confronted with the authority and power of the judgment of the community as to its common welfare. The community is here not the State but a body of workers, and its decisions are enforced, not by officials in uniform, but by duly appointed committees and officers taken from the ranks of the workers themselves. But the principle of common action for common good imposing limits on individual action for personal good is apparent here, just as it is apparent in every law passed by the Houses of Parliament.

There is, however, an important difference. Parliament represents, or should represent, the people as a whole. The Trade Union represents a certain section of the people, and in the past these sections have been relatively small and isolated. Hence the Union's authority is relatively weak and often unduly dominated by sectional interests. The true principle of the collective control of industry means a control exercised, if not by the whole nation, yet in the interests of the whole nation. But we have already called attention to tendencies which hold sectionalism in check. In the great national Unions of to-day very diverse



interests of many localities have to be weighed against one another, and the merits of disputes may be adjudged coolly and dispassionately by persons living at a distance, and responsible to many other branches than the one affected.<sup>1</sup> In this way the sectional character of Trade Unionism grows less and its decisions grow in weight, deliberateness, and power. This process is furthered by the development of the Federal Principle, by the Trade Union Congress, by the formation of a Parliamentary party, and in another direction by the International Congresses of particular trades which are building up a valuable counterpoise to the national rivalries of aggressive finance. All this development involves an immense extension of outlook, incompatible in the end with the narrowness, the pettiness, and the tendency to monopolistic spirit which were almost inseparable from the original form of Union, while it gives free play and full encouragement to the broader public spirit which recognises the true identity of interest for all workers.

This is quite a normal and healthy development. Regarded as a moral and educational force, Unionism begins rightly with the elements of the subject. It starts with the workshop and teaches the doctrine of fellowship and brotherhood for all who work at the same bench. The lessons of public spirit and public action are thus first learnt by the Trade Unionist in relation to the comrades with whom he is actually associated in his work and daily life. But the training once perfect, the

<sup>1</sup> Sometimes it would even seem that an opposite danger has come into being, and that the officials have become too far removed from the men at the works. Hence we have had strikes directed virtually, and not unsuccessfully, against the authority of the officials themselves.

principle is easily applied to a wider area. He who is faithful in small things will be faithful also in great, and he who loves and will serve his brother whom he hath seen will learn to aid his brother whom he hath not seen. This is working from the base upwards—there is no other safe method. Just as the Trade Union represents the limitation of each man's freedom by the whole body of workers, so it depends for its very existence on the loyalty of each member to the common cause. Every advance in Trade Unionism involves a progress in the intelligence and public spirit of the workers. No Union can exist unless the mass of its members are prepared for mutual help and forbearance, unless they have unlearnt the lesson of self-seeking and are ready to make sacrifices for the good of all.

Trade Unionism, then, as it grows and broadens, introduces little by little a new spirit into industry and becomes the means of regulating it in the interest of the working community. And as in a healthy community all are workers who are capable of work, this means the community at large. It is, of course, a mere vulgar error to regard the principle of Trade Unionism as limited to manual work. The majority of the learned professions form closer Trade Unions—either voluntary or supported and incorporated by law—than are yet to be found in the world of Labour. It is true that these Unions of professional men leave much to be desired in their constitution and regulation. It is even possible that they might have something to learn from associations of manual workers. But be that as it may, there is no reason why Trade Unionism should not extend itself to the entire working population, and at least so far as manual workers are concerned, provide avenues

of communication and methods of mutual aid which should hold sectional interests in check and establish a true control of the conditions of industry in the interest of the working classes as a whole.

We have already remarked that, as Trade Unionism represents the control of industry by the body of producers, so Co-operation represents the control by the body of consumers. So far as its influence extends, it supersedes the anarchy of competition, introduces steadiness and continuity of employment, and secures the enjoyment of the surplus product for all who join in promoting it. Like Trade Unionism also, it rests on the public spirit of its members, and their readiness to sacrifice personal profit for the common good. It controls industry, so to say, from the other end, and hence its action is complementary to that of the Unions, securing for the community as consumers the benefits which as workers they could hardly obtain.

Now, both the Trade Union and the Co-operative Society are voluntary associations of men consciously formed for securing certain common ends. But if we inquire a little more deeply than usual what the State is, why it has come into being, and what justifies its existence, the answer must be that the State also is an association of all the dwellers in a country, an association that has no doubt grown up unconsciously, but which has grown because it has secured certain valuable results for all its members. And in the democratic State we get the true principle of association clearly worked out, namely, that all citizens shall be called on to serve the common weal, and, on the other side, that the State shall serve, not the interest of the Few, nor even of the Many, but the interest of All.

Like the State, the Municipality is a kind of association, but exercising a more limited authority over a smaller area. There is a difference between the State or the Municipality and other associations formed by men, in that to these two every man living in a given locality *must* belong, whether he likes it or not. He must support them by his contributions and he must submit to their authority. In the case of the Trade Union or Co-operative Society he need not belong to the association unless he chooses. Yet, at least in the case of the Union, he may often be controlled by the common power notwithstanding that he denies its authority. That the Union is a voluntary association makes no difference whatever to the reality of the control which it exercises over individuals, nor does it diminish by one jot the sternness of its "interference" with the "liberty of the subject" when the said liberty is judged hostile to the common good. The apostles of liberty, in the abstract—of the right divine of all men to do wrong—are perfectly logical in attacking the Trade Union just as much as "Socialistic" legislation. And conversely those who believe that the collective control of industry is necessary to the economic welfare of society may recognise that this control may on some sides be best exercised by a voluntarily formed organisation, on others by the State itself.

Now, the control of the State may take many forms. It may directly organise a public service, as the Post Office, or, again, the railway system. This is essentially a form of the control of industry by consumers, and given a competent Civil Service and efficient criticism by a representative authority, this is a form of control suited to certain kinds of industry, but

by no means to all. After all, the main function of the State in industry as in all other things is to be the supreme regulative authority. Every lesser community has its sectional interests, and as the power of such sections grows by organisation, the authority of the central power is needed not so much to supersede as to balance and harmonise them. The type of society to which we are working, largely under the impulsion of the Labour Movement, is neither Individualist nor, in the narrower sense, Socialist. The old self-governing industrial unit is no more. As a mode of business organisation it has given way to the Joint Stock Company, the Amalgamation, the Ring. In relation to labour the unfettered bargaining of individuals is yielding to comprehensive arrangements between Trade Unions and Employers' Federations, and behind Union and Federation alike there arises the growing authority of the State. Neither unlimited freedom of contract nor the imprescriptible rights of property are any longer formulæ to which the legislator must bow. Yet this is not to say that either private property or free industrial enterprise is in process of abolition. What has actually been happening is rather that both property and contract have come much more closely under the supervision of the State. The State has not destroyed freedom of contract, but it has imposed, and will continue to impose, limitations and conditions which the terms of the contract must observe—rules of the game intended to secure fair play. It has laid down that there are conditions of industry which are injurious to the common wellbeing and incompatible with the common responsibility for fair treatment of all members of Society. These conditions it does not leave to Trade Unions to secure if they can by collective

bargaining, but prescribes them by law. Such conditions are sanitation and safety in work, the limitation of hours, provision for sickness and accident, and finally the minimum wage. In practice legislation in all these directions has at each step enforced as matter of law that which was already the policy of the best employers. In so doing it has levelled up the bad or the less capable, and has made it possible for the best men to advance a little farther with their pioneer work. It is very seldom that any work of this kind has to be undone. It is justified of its results, and it is destined to go farther, until every form of employment which is prejudicial to the life and health of the employed is ruled out. But in all this, though the State is prescribing limitations, it is by no means destroying free contract. On the contrary, in so far as it is redressing inequality, it is rendering contract free in a deeper and more genuine sense than before. The weaker party gains the protection of the law, and can no longer be driven into accepting conditions to which no man, unless he were driven, would accede. Again, though it imposes conditions upon industry, the State is by no means superseding the private employer. It leaves to him the initiative. It leaves him the immediate management and control of his business. But it assumes a certain right of supervision. He is lord, but the State is overlord.

Much the same thing is happening in other directions. Some Socialists have thought that the family would be merged in the State. What is happening is rather that by insisting on the rights of wife and children the State is reconstituting the family on the basis of a deeper and more mutual responsibility. Destroying the conception of the family as the property of the father, it is

restoring it as an association of persons in the full ethical and legal sense of that term. It does not destroy parenthood, but it constitutes itself the over-parent. It does not destroy parental responsibility. On the contrary, legislation on behalf of children has on the whole tuned up and tightened the obligation of the parent, by enforcing as a matter of law that which was formerly a moral obligation—*e.g.*, in punishing neglect—or by bringing within reach of all that which was practically possible only for the more fortunate—*e.g.*, in the provision of free education. The function of control is not to destroy, but to guide, sustain, and purify those family relationships in which, after all, the great mass of mankind finds the one substantial and abiding source of happiness.

So again with property. There is a tendency to national ownership of certain forms of property such as land and the means of transport. But apart from these, the tendency of the State is to become not so much immediate owner as eminent owner. The doctrine that a man can do what he likes with his own is not so often heard as of old. More and more it is recognised on the one hand that property is a State institution, an institution resting on the law and the force that the community maintains at the back of the law, and on the other hand that the sources of wealth are social as well as personal. As the full bearing of these principles is realised it becomes clear that the State must have a free hand to deal with the institution of property in the common interest, that at bottom it is not limited by the rights of owners but rather that owners hold subject to the supreme requirements of the common good. As in feudal days men held the land, not in absolute ownership but as tenants of the king, and conditionally on the

discharge of certain duties, so in the State system which is gradually emerging out of individualism the owner holds of the community and subject to the duties which the community requires. It is not the business of the State, as some of the narrower forms of Socialism seem to suggest, to get all property into its own hands and to serve out to individuals such necessities and comforts as seem good to a committee of officials. It is its business rather to impose such a use of property and such arrangements of industry as secure to all who work honestly the means of directing their own lives on the lines which they find most suitable to themselves, and this it does, not by abolishing private property, but rather by extending to all its citizens a certain lien upon the common stock. The old age pensioner of to-day differs from the pauper of yesterday not so much in that he has more food or better lodging than he might have had in a well-arranged workhouse, but in that he has a definite claim on the public funds independent of the decision of officials, not entailing any restriction on his mode of life, not implying previous destitution. He remains, in short, a free man, and free because he has secured to him a certain right of private property in national funds. Private property is not abolished by such measures. On the contrary, it is extended to those who formerly had nothing but the insufficient weekly wage. At the same time, it is limited and controlled.

As is the relation of the State to the private business, to contract, to the family, to property, so is it also to the voluntary organisation as the Trade Union, the Co-operative Society, the Friendly Society. Its true function is not to supersede but to supervise, to guide, to harmonise. The



State is too big a body and its methods are too mechanical to admit of its dealing directly with the endlessly varying needs of the individual. Between the two poles intermediate bodies of many kinds and degrees are needed, and a wise democracy will not seek to destroy such bodies but to utilise them. The Insurance Act, however open to criticism in some points, is admirable in the attempt that it makes to foster and to guide the Friendly Societies which the thrift of the working class had already built up. Similarly if there is to be healthy progress either in Trade Unionism or in State Socialism it may be confidently laid down that this must depend, not on the victory of either principle over the other, but on the growth of harmonious relations between the two. Hitherto these relations have not been fortunate. The law has been a step-mother to the Unions, and in 1906 they revolted from her control and established by statute their emancipation from civil process. What made the Trade Disputes Act possible was the sense that the principles of ordinary commercial law administered by judges unskilled in industrial questions did not render due justice to the special needs of organised labour. Yet the position in which the law is left is satisfactory neither to the Unions nor to the public. We may see in the new Industrial Council the germ of a better organisation. Compulsory arbitration can only come into being when the principles of remuneration are generally understood and have become common ground to all parties. But a panel representing employers and employed rather than a bench of judges is the true tribunal in labour disputes. Such a court might arbitrate on the incidents of industrial warfare—on complaints of breach of contract, for example—and its decisions might be given the

force of law long before it will be possible to secure the general submission of questions of hours and rates to arbitration. What organised labour needs is not emancipation from law, but from the atmosphere of law-courts administering principles which are no longer adapted to industrial conditions.

To discuss these questions adequately would require a separate treatise. Here we are only concerned with elementary principles, and, to resume, our contention is that it is the function of the State, not merely to organise certain departments of industry, but to exercise a general supervision of the conditions of labour, the regulation of productive activity, and the division of the fruits of work in the interest of the community as a whole, and that in so doing its object is not to displace or destroy personal initiative, freedom of choice, private property, family life, or voluntary organisation, but rather to bring them within the limits of a system in which they will contribute, not to selfish aggrandisement but to public ends. The modern Social reformer reverts to the Aristotelian ideal of the State as "coming into being that men may live, but existing that they may live well."

## CHAPTER IV

### THE DISTRIBUTION OF WEALTH

LET us now try to sum up the joint economic result of the movements under consideration. We have seen that each is attacking its appropriate part of the problem of industrial organisation. Let us now consider how far they are naturally fitted to work together in solving the problem as a whole. We shall get some light on this point if we examine the present "system" of unregulated industry and compare its main results, point by point, with those which our methods of organisation are tending to put in their place.

In drawing the broad outlines of a system of private enterprise, such as on the whole prevails in England at the present day, we shall simplify our task if we follow the ordinary method of economists, and assume for the moment that the competitive system described is really a system of *free* competition. But when we speak of competition as free, we imply, be it remembered, a good deal more than absence of any legal or other collectively imposed restraint. We imply equality of advantage—*i.e.*, that all bargainers in the markets of the country are equal in position and in knowledge of their own interests. That being understood, it will be seen at once that our assumption is a large one, and not fully realised in any existing

state of society. Certain results of this will be considered in their place. Meanwhile, it will be convenient to proceed as though the assumption were justified, precisely as in many problems of mechanics it is convenient to assume that bodies are perfectly rigid, or move without friction. In this way we get certain broad truths first, and can introduce the necessary limitations and corrections afterwards.

The central fact of modern industry is the Division of Labour, and the consequent production of goods—not for the use of the producers, but—for Exchange. In the regulation of industry everything depends on the way in which the Exchange value of goods is determined. Think, first, for a moment, how we should determine Exchange value, if we had it in our power to do so, on the principles above determined—that is to say, with a view to the fair payment of the producer. Supposing the commodity to be useful to society,<sup>1</sup> we should try to reward the producer in proportion to the time, effort, and skill applied in making it. And in considering the reward due for a given quantity of time, effort, and skill, we should be guided by the amount it would be possible to give to all workers, so that the minimum would suffice for a civilised existence. In apportioning our reward, then, we should take into account the social utility of the product, and the amount and character of the work done upon it. The result would then be that we should get what we wanted done, and the producer would make as good a living as might be compatible with the wealth of society. The ex-

<sup>1</sup> From the point of view of abstract justice, this is obviously the first consideration. If my time and skill are spent in devising an infernal machine for use in a public building, my just reward is penal servitude.

change value of the goods as reckoned in money would have to suffice to cover this reward, and, as we shall see presently, to leave a certain surplus.

<sup>1</sup> Turning to the actual effect of competition, we find first that the value of things as estimated in money is continually fluctuating, and that when we ask what is the normal value of a thing and how is it fixed, we must make it clear whether we are referring to short or long periods.<sup>1</sup> Consider a "market" for a day, and you find very likely that prices are different in different places or at different hours. But you can strike an average and call it the normal price for the day—some prices being higher and some lower than the normal. Take the same market for a week, and you will find prices differ from day to day. The average price of Monday may be higher or lower than the average for Tuesday. But you can, of course, strike an average for the week as a whole, and speak of the prices for each day as above or below, as "fluctuating round" the normal level for the week. In the same way the week's average fluctuates about the normal level for the year and so on for any period, as Professor Marshall has ably shown. When we speak of the *normal price* of a commodity we mean the average price for the period we are considering, whether that period be short or long.

Consider first a short period. There is a certain quantity of goods in a market,<sup>2</sup> and an effective

<sup>1</sup> In what follows I am guided mainly by Professor Marshall, whose account is the most comprehensive. But it will be at once understood that I am not attempting even to sketch a theory of value as a whole. I wish merely to bring out certain points with regard to exchange which explain some of the obvious evils of our industrial system.

<sup>2</sup> We need not here complicate the question by referring to expected goods.

demand for a certain quantity on the part of the purchasers in the market taken as a whole. No one can calculate either quantity precisely, though an acute dealer can make a good guess. But, what is important, the extent of the demand may vary with the price of the goods. The third-class carriage is crowded while the first is nearly empty. More people will be likely to buy fresh sole at 1s. than at 1s. 6d. the pound. Now if you can sell off all your fish at 1s. 6d. you will do so, and I, who cannot afford to go beyond 1s., will go without. But if you cannot find purchasers who will take off all your fish at 1s. 6d., it will *pay you* to lower the price. If all your fish goes off at 1s., you get more in the long run than if you sell half at 1s. 6d. You have to consider this, and your aim being to get the maximum return, you will all the time be feeling after a price at which you will get off so much that *multiplying price into quantity* your takings are greater than they would be at any other price. Suppose this price to be 1s. 3d.,<sup>1</sup> then 1s. 3d. will be an equilibrium point to which the price will be constantly tending, though it may never reach it.

Now, the important point to notice is that the price thus fixed by the equilibrium of demand and supply bears no relation whatever to the cost of production. One man, favoured by circumstances or by ability, may find his fish cost him only 9d. per lb. to bring into the market, and, accordingly, he takes a profit of 6d. on the price of 1s. 3d.—roughly, 66 per cent. on his outlay.

<sup>1</sup> Suppose, *e.g.*, you can sell 60 lb. at 1s. 3d. your total return is £3 15s., and suppose you could only get off 40 lb. at 1s. 6d. you could get only £3 at that price, while again 70 lb. at 1s. gives you £3 10s. In such a condition of the market—assuming that you have 60 lb. or more on your hands—1s. 3d. gives you the best return.

Another, by ill-luck or mismanagement, finds it costs him 2s. to bring the selfsame fish to the selfsame market, and his time, labour, and anxiety are rewarded by a loss of some 37 per cent. on his transaction. Nevertheless, notice, he will not be able to sell one penny higher than his neighbour, or, if he does, he will only lose the more, supposing 1s. 3d. to be the equilibrium price.

Now, the question is, What is to become of this man, supposing his ill-luck or mismanagement to continue? It is clear that he must eventually go under water, and that the longer he struggles the worse off he will be. Now, this introduces us to the determination of long-period values. For the disappearance of the unsuccessful competitors diminishes the quantity of goods in the market, and given the same demand as before with a decreased supply, the equilibrium price will rise.<sup>1</sup> It is clear, then, that, in the long run, taking an average of prices extending over a sufficient time to cause an extension of production when the market is good or a contraction of it when bad, this average will be sufficient to compensate *every producer* in the market for his expenditure of time, trouble, capital, and the like. The average price over a long period tends, then, to equal the cost of production. But we have seen that the cost of production differs for each producer. A and B are both farmers. A is an able man, farming rich land near a great town, B a bad farmer on poor soil at a considerable distance. But the state of demand is such as to require all B's corn as well as A's. Then if this state of things is to continue

<sup>1</sup> For if I have only 40 lb. to sell, and if as before I can find buyers for 40 lb. at 1s. 6d., then 1s. 6d. gives me a better return than 1s. 3d. (viz., £3 instead of £2 10s.) It may even pay to raise the price further, as if I can find 35 buyers at 2s.

permanently the price of corn must be sufficient to remunerate B—*i.e.*, to allow B to pay the average rate to his labourers and to receive the average rate of interest on his capital, and the average return for his own risk, anxiety, management, and the like—the average in each case being determined by relation to the rate obtainable in other occupations open to men of the stamp of B. But it is clear that if the price is thus high enough to give an average reward to B, it will give something very much above the average to A—unless, indeed, A has already had to pay a landlord or the community for the privilege of farming rich land in a good situation. In this case the surplus that goes primarily to A will ultimately find its way into other pockets. But notice first that price is thus determined (on the average of a long period) by the cost of producing that part of the commodities sold which are brought to market under the greatest disadvantages. These goods being, as it were, on the margin of the market, so that a further fall in price would exclude them from it, they are spoken of as on the margin of production,<sup>1</sup> and the cost of producing them is the marginal cost of production for that market. This being understood, it holds that when men are very wise in their own interests and competition very free, the average cost of a commodity in a long period will tend to coincide with the marginal cost of production. Notice, secondly, that this being so, a surplus remains over to every producer except those on the margin—the surplus which, in our instance, was left to farmer A by the price which just satisfied farmer B. The existence of this surplus depending on the inequalities

<sup>1</sup> The phrase was, of course, suggested by land supposed to be physically on the margin of cultivation.



in human and non-human nature, it must remain in being as long as human industry persists. Its existence is not one of the hypothetical laws of political economy, but one of its categorical or unconditional generalisations. But the disposal of the surplus is a very different matter, depending very largely on human institutions.

We have now before us two main elements in the returns which a farmer or manufacturer gets for his labour. A certain portion of the return reimburses him for the cost of producing his article. Another portion, which may vary from zero<sup>1</sup> to any quantity, is a surplus over and above the cost of production. We must consider, then, the elements which make up both these divisions of the return. To do this fully would be to write a book on political economy. But consider for a moment very briefly, what goes to build up the cost of producing an article. We may distinguish the elements of ordinary manual labour and of skilled labour. The price of these, it must be remembered, is determined, not immediately by the value of their product but rather by the bargain that their possessors are able to make, as to which more will have to be said. Next come earnings of management, and under them we must include, not only salaries paid to clerks, foremen, overlookers, or managers, but a sufficient recompense to the employer himself for his trouble and anxiety. A man of capital will not permanently occupy himself in a business which gives him no return for his trouble beyond what he could safely get for his capital if invested in something else. This brings us to the last element in cost—viz., interest on the capital employed. Now, of all these

<sup>1</sup> Or as I shall notice presently from a minus quantity.

elements there is a certain average which goes to determine the marginal cost of production, and through it the average price of the commodity. In the long run, probably the price of these elements determines that of the commodity and not *vice versa*. Some of them act more slowly than others, and all act clumsily and roughly, but all probably act in the long run. It is different when we turn to the surplus left to each producer. Here we have to do with rewards determined by price and not determining it. It is sometimes difficult to say what earns these rewards. Sometimes they seem due to pure luck. Others depend on the special abilities or sagacity of a captain of industry. Others on the monopoly of an invention. Others on a State-created monopoly. Others, again, on situation. We may, however, distinguish the persons who receive the surplus. One in general is the ground landlord on whose land the undertaking is carried on, and as situation is an important factor in success, ground rents, whether in country<sup>1</sup> or town, take up an important part of the surplus. The other recipient is in general the *entrepreneur*, who undertakes the risk of the enterprise. When rent is paid he takes the balance, and this balance is profit proper. But, of course, *entrepreneur* and landlord may be one individual (as in the case of a peasant proprietor), or there may be many recipients, as in some profit-sharing schemes. And it is important to notice that some factors in the production of the surplus are tangible, their value measurable, and the returns to them nearly constant. Such, for instance, is situation. These are the factors which can be let

<sup>1</sup> In the country of course the value of the land, and hence the rent, depends largely on previous investments of capital in the soil.

off and secure a rent. Other factors, like keen business sagacity, are less easy to measure, and get a variable return. Generally they induce a man to undertake business on his own account and their reward is profit. But they may also be sold by their possessor to the conductor of a business for a special salary or for a share in the profits. This distinction is of practical importance when any attempt is made to control the distribution of the surplus.

For the average producer, then, the returns of his industry may be theoretically divided into two portions, that which reimburses the expenses of production and a surplus over and above, varying in amount. This division, we have seen, is independent of human institutions, though human institutions may determine who shall receive it. In one way human institutions or efforts also affect the amount of the surplus. Not only may they increase or decrease the productivity of labour, but they affect the cost of production. For example, if interest is lowered by general progress and social security, one element in the cost of production is reduced and it tends to fall, leaving an increased producer's surplus for the *entrepreneur*, landlord, or other recipient. Conversely, a rise in the price of any of the elements determining cost of production tends to raise that cost and lower the surplus. In this way only, it appears, can alterations in the supply prices of any general agents of production affect the quantity of the producer's surplus.

Having thus briefly sketched the effect of free competition on the distribution of wealth, let us consider how it affects the welfare of society. We have seen that the two first essentials of a thoroughly economical system of production would

be that only good and useful commodities should be produced, and that all the producers of such commodities should be remunerated at a suitable rate—the elements for determining which we discussed in Chapter II. Now, at first sight, it would appear that both these conditions are satisfied by the competitive system. To begin with, under such a system, nothing can be repeatedly and continually produced in excess of the demand for it. The actual consumers, it would appear, call forth and regulate the supply, and each man being the best judge of his own interests, who can be so fit to determine how many shoes are to be made as those who are going to wear them? In the second place, the price of an article cannot permanently fall short of the cost of production; that is, it must be at least enough to give a "fair" rate of remuneration to all parties engaged in producing it, and that, be it remembered, to the parties who produce it under the greatest possible disadvantages, our generous system leaving an ample surplus to more favoured or gifted individuals.

So much for the credit account. What of the *per contra*? Take first the correlation of Demand and Supply on which all hinges. The salient fact here is that this correlation is effected indirectly and almost unconsciously. There are few things more capricious and incalculable than the modern market. Cotton is "flat" and wool is "brisk," and few men fathom the ultimate causes, which may arise from changes on the other side of the globe. Shrewd men make a guess. Cunning men suck no small advantage out of the turns of the market. But the majority even among the experts are like men groping in the dark, who know the road to be clear as far as the hand can

reach, but can never tell what blank wall they may not touch at any step. The truth is, that though demand ultimately governs supply, it has to use very indirect means, and very rough means. To use an old comparison, it is like a force working under a great deal of friction. The individualist producer of old days was a market to himself.<sup>1</sup> He lived, as it were, apart, not only "Cyclops-wise, governing wife and children," but also in true Cyclops fashion, producing just his own needs. He delved and his wife span as they required. They knew what they wanted, and procured it by their toil, and they had the fruits of their toil as its reward. A very uneconomical system of industry from the point of view of production, but presenting some merits from that of distribution. In modern industry we have changed all that. The modern individualist producer sows that another may reap, and that whether he is wage-earner or employer. The essence of the modern system, of which Exchange is the central feature, is that I produce what I think you will buy at an advantage to myself. Whether I am a farmer, merchant, millowner, or shopkeeper, the same holds. You do not set me to work, but I set to work myself in the hope that you will want what I make.<sup>2</sup> Meanwhile others are setting to work in the same way. Now, if I have made a good guess at what you want, I make a large profit; if a bad one, I may be ruined. In the first case, too little of the desired commodity is being produced; in the second, too much. In either case

<sup>1</sup> If he is, not altogether an economic figment. It is truer to economic history to think of a small community than of a single family as very nearly self-sufficing.

<sup>2</sup> Of course at any one stage goods are in large measure made to order. But the stock is accumulated in anticipation of orders to come.

the discrepancy from the required amount tends to right itself, but in the meanwhile one set of men are ruined while others retire with a fortune. This is the nature of the friction under which competition acts in adjusting supply to demand. Men's lives are the brake upon the wheel.

Let us consider this in close connection with the theory of value. We have seen that for short periods value is determined by the equilibrium of demand and supply and has no connection with cost of production. We have seen that the price thus fixed may be too low to remunerate certain of the producers, and that in the long run these will retire from the market. But at what time and at what cost? If the operation of competition were swift and decisive, we should have little to charge against it on this count, but the "long period" in question may extend over years, during which time a whole trade is disorganised, employers are contending miserably with forces that are too strong for them, and wage-earners are pinched. See how this works out. The price of an article is fixed for a short period, say three months, by the equilibration of demand and supply at a price which does not remunerate a millowner. If he could at once contract his production or close his mill and transfer his capital elsewhere, all would work well. Supply would fall off to the required amount, and the remaining members of the trade would receive a good profit. But he is not in a position to do anything of the sort. His capital is locked up. He has acquired certain special business aptitudes and a certain connection. You cannot turn a cotton manufacturer into a farmer, nor a cotton-mill into a coalmine. When you are able to do that, competition will begin to work without friction.

Yet this is not the only difficulty. Over-production in one industry is not balanced as might be expected by under-production in another. Rather, as hinted above, there is a tendency to over-production all round. It is the interest of each single employer to work his particular plant to the utmost and get for himself the largest possible share of the market. Hence all employers are constantly pressing forward and increasing production. The consequence is that after a time prices tend to fall.<sup>1</sup> If employers were merely exchanging against one another, this would not matter. As they sold cheap they would also buy cheap. But, in fact, while their selling prices fall their costs are fixed in two directions. They are working in large part on borrowed capital and the rate of interest is fixed. It does not diminish because selling price has diminished. In many cases, too, their premises are rented and the rent is similarly fixed. At the same time, trade unions resist a reduction of money wages. Thus employers have the same fixed charges to meet with a diminishing income. But further, it is probable that the general lowering of prices does not extend so rapidly to raw material as to manufactured goods. The increase of manufacture and transport will increase the demand for coal, but with a given number of mines open the supply of coal will not readily expand except at increased cost. Other raw materials are affected in the same way, and food supplies, cotton, &c., are independently affected by good and bad harvests. Thus the manufacturer may find that his raw materials are

<sup>1</sup> Unless, indeed, there should be a corresponding increase in the output of gold. But as this output is regulated mainly by the richness of available mines it does not vary concomitantly with the general expansion or contraction of trade.

costing him the same, and his fixed charges are the same, while his selling price has descended, and this may hold right through the area of production.<sup>1</sup>

The result is that he will make a desperate effort to struggle on. Not only so, but he may resort to desperate expedients, endeavouring to make up for diminished prices by increasing his output, or to attract customers by underselling. Each step plunges him deeper into the mire. In both ways he still further diminishes the price of the article and he plunges others into the same difficulties. The struggle may, if the gods are merciful, be short and sharp, and in that case ruin and bankruptcy follow at once. Rich men lose everything; large stocks of machinery and costly buildings become worthless, hundreds of workmen are turned out into the street. Yet nobody really was in fault. The crisis is worse the further it is prolonged, for it means years of depression of trade, irregularity of employment, falling wages, and vanishing profits. Such is the "friction" which attends the working of competition.

When enough stoppages have occurred the supplies in the market diminish. Prices of manufactured goods rise again. Coal and materials are abundant for the reduced production, and therefore relatively cheap. The crisis has produced a break in money-wages. There is a good margin. Works are presently going full time, and the whole process begins anew. Such in outline seems to be the nature of periodical unemployment, the re-

<sup>1</sup> The only thing that can right him is an increased supply of gold which will keep prices high. This is to the advantage of the employer, as against the capitalist, the landlord, and the salaried official. The effect on the workman depends on the elasticity with which money wages respond to increased cost of living.



current sore of the body economic, the effect in the last resort of the lack of all means of regulating industry and adjusting supply equably to demand.

If, then, we were responsible for the deliberate regulation of industry, we should need, to begin with, to take some measures for adjusting production to requirements. We should have to forecast the quantity of goods likely to be required in an industry as a whole and to regulate our capital expenditure, our organisation, and the supply of labour accordingly. Further, if the exchange of goods through the medium of money remained a part of our system, we should have to fix the price of goods in any given branch of industry at the point which would repay the cost of those goods which it was most expensive to produce, leaving a surplus of varying and in some cases probably of very considerable amount on the sale of that portion of the stock which was more economically produced. The surplus, it would be seen, would remain even if we transformed industry from an individualist to a completely Socialist basis. We shall return to this point presently. But we have first to note certain further defects in the competitive system.

Let us suppose the marginal cost of production determined and maintained without fluctuation by competition so that the losses attendant on fluctuation may be put out of mind for the moment. Will everything then go smoothly? Cost of production, remember, includes the elements of wages for labour, skill, and management ; the compensation for risk and the interest on capital. Now, will the cost of production be fixed at a rate which will provide due remuneration for all of these? And, again, supposing this condition satisfied, will

the competition of these several factors for their portion of the price distribute it in the justest way—that is, in the way most useful to the community? Not to go into the full theory of this aspect of distribution, consider the operation of unrestricted self-interest on one factor in the cost of production, the wages of labour, and contrast it with the effect of combination already considered. To understand this we must, as in Chapter II., regard Labour as a commodity which the labourers possess and are ready to sell to the highest bidder. Now, supposing the labourer and the employer to arrange terms by unrestricted personal bargaining, wages will be fixed for short periods by the equilibrium of demand and supply. And we saw that in the case of material commodities the equilibrium price bore no relation to cost of production, and might leave the producer in a bad plight. So it is with wages. The market price for short periods bears very little relation<sup>1</sup> to the needs and comforts of the labourer who sells his work and may leave him in very bad plight. In practice the iron rule of demand and supply is mitigated in the case of wages, not only by combinations but by custom and in some degree by goodwill. On the other side we have to reckon with the vast economic advantage which the great majority of employers have over average unorganised labourers, an ad-

<sup>1</sup> The labourer if denuded of all other resources must even for a week earn enough to feed him. But if, *e.g.*, the worker is a girl who lives at home and works for pocket money or to add something to the family earnings, her wages need not, and, in fact, often do not, so much as cover this bare minimum. An industry in which wages are beaten down to such a point that its operatives can only be supported out of the proceeds of wages earned in some other occupation has been well called by Mr. and Mrs. Webb a parasitic industry. It is in effect living on others and as such ought not to be tolerated.

vantage parallel to those of a horsedealer over a tyro, and enabling the employer as a rule to buy labour very much cheaper than would be possible if the labourer were equally able to forecast the market and to await a favourable turn. This acts as a permanent force depressing the rate of wages, and we have, in short, one of the most important cases in which "free" competition as above defined is a delusion. And now notice further two peculiarities about labour as a marketable commodity. First the long period in which its price is adjusted to the "cost of producing it" is abnormally long. A low rate of wage in a given trade tends to discourage the supply of labour for that trade, but if the low rate be spread over many trades or all the trades of a country, the tendency could only operate by the actual diminution of the working population, partly by discouragement of marriage, more by emigration, and most of all by increased mortality, especially among young children. This, of course, is simply a form of economic friction. The point at present, however, is that the tendency would take nearly a generation to work itself out. But meanwhile a second important peculiarity of labour as a marketable commodity has been manifesting itself, viz., the effect, already insisted on, of wages on the efficiency of the labourer.

Confining ourselves to the economic aspect of this effect, we shall find that the productivity of labour is diminished by every drain upon the labourer's strength due to insufficient food, bad housing, or unhealthy occupations. And the productivity of labour is one factor in determining its reward, inasmuch as it determines the total of which labour receives a portion. Hence decreased productivity tends to further decrease of wages,

and we have, in fine, one of those cases of cumulative action to which Professor Marshall has carefully drawn attention. Observe: a low rate of wages diminishes the productivity of labour; diminished productivity tends in turn to lower wages, and so on, in a vicious circle. Conversely, increased wages and increased productivity tend to augment one another, and so on, in a circle of hope. Economic injuries, as General Walker has shown us, tend to perpetuate themselves, and the same may be said of economic gains. The result is that under a competitive system the wages of labour do not necessarily right themselves at all. Supply will, indeed, slowly tend to adjust itself to demand, but, to say nothing of the bloodshed by the way, *if the labourer's remuneration is below the minimum necessary to a certain development in mind and body*, the tendency of free competition will be, not to raise him to a level with that minimum, but to depress him farther below it. The equilibrium wage will sink. I conclude, then, that while it is of the last importance that the mass of workers should have a sufficiency for health of mind and body, there is no necessary tendency in the action of competition to assign them such a sufficiency; and we have seen that it does not, in fact, assign a sufficiency to a third, perhaps not to one half, of the workers in the United Kingdom to-day.

For these deficiencies of free competition we have already discussed the remedy. The grand cause depressing "free labour" is here seen to be the economic weakness of the labourer himself, and it is precisely this that Trade Unionism and labour legislation strive to correct. The more clearly it is seen that industrial anarchy tends to depress great masses of the workers and exclude

them from their due reward as servants of society the greater is the need for the collective control of work and wages.

Now, supposing the rate of remuneration fixed ; supposing that workers of every class have obtained for themselves a "fair" average remuneration, taking into account, in accordance with our original principles, not only the necessaries of life, but also the claims of effort, skill, and brain power ; supposing, therefore, that the employing class has also fixed a "fair" average wage for itself—there will still be a considerable surplus of wealth to consider, not absorbed by the payment of wages.

The first element in the surplus is profit proper, and consists in what Professor Marshall has called the quasi-Rent of commercial ability and monopoly, to which we should add good fortune. We have seen that the individualist employer after paying labour, rent, and interest, in return for the hard work of management may or may not find himself in possession of a surplus, large or small. This surplus depends partly on his skill and effort, partly on circumstances over which he exercises very slight control. It actually varies in amount, as we have seen, from zero to any quantity. It is the "fringe" of the national dividend where expansion and contraction have their first effects. If we could bring together all the industries of the country into a single account, this fringe would take the form of a very large surplus ; if, however, we conceive the industrial management of the country to remain in its present condition, the "fringe" will present itself as though cut very irregularly along the surface of industry. In one business the surplus will be enormous, in another there will be none at all, in a third there will be a

positive loss. This we can see is a very un-economical arrangement, enriching some people beyond what is needful for the highest happiness, and ruining others, to their own misery and the derangement of trade. A small difference of ability, an unforeseen turn of events, and one man makes his fortune while another is ruined. The result is that neither is happy. Neither beggary nor princely wealth conduces best to a happy and well-ordered life. For the wealth made there is no tangible increase of happiness or development to show. Meanwhile the lure of profit-making corrupts all industry and changes honest work into a constant struggle to get more and more, and an unceasing effort to overreach others. Nor does the evil cease with the producer. When money becomes the test of success, and I am held to have proved myself a better man than you if I have earned more, then the signs of wealth are held the proofs of merit and ability, and display becomes the first object for men of means. The vanity of wealth which corrupts the life, vulgarises the social intercourse, destroys the simplicity of men and women from the cottage to the castle, and fills the world with ugliness and discomfort, is doubtless referable in part to permanent human weaknesses, but it owes its abnormal development to the spirit of competition and pecuniary profit.

We have to quarrel, then, both with the distribution of the producer's surplus as effected by competition, and with the results to character which such a mode of distribution brings about.

Now, what are the compensatory benefits of the system of private profit? Regarding profit as the wages of the employer—the wages allowed him by society under the economic system which it supports—we have to ask, Is it the most economical

method of payment? So far as the employer's profit depends on luck—*i.e.*, on causes beyond his control—there is clearly no economic advantage to society whatsoever in awarding it to him ; so far as the prospect of additional gain stimulates him to socially useful exertion society does obtain a certain *quid pro quo*. But, in the first place, the individual employer, aiming at his own profit, does not necessarily use means thereto which contribute to the general welfare. If, for example, he is able by skilful advertisement to palm off inferior goods on the public, his profit is due to his sagacity or cunning, but not to any real social service. To lie well requires consummate art to which, in some departments of modern industry, a lifetime may be profitably devoted, but it does not conduce to the general comfort. Thus, if honest employers make an honourable profit by useful work directed with great ability, and are paid less than the value of their services, we must set against them the dishonest traders who profit at the expense of their own uprightness and the general wellbeing, and who are encouraged thereto by many of the circumstances of modern commerce.

But further, it may be doubted if the individualist system either checks the bad or encourages the good in the best way. The stakes are too high. Men stand to win or lose their all. They oscillate between riches and beggary. As a class our modern captains of industry are not to be envied. They bear the first brunt of commercial storms. They are subject to repeated periods of strain and over-pressure. The ups and downs of fortune tell on their mental and physical health. It has even been doubted whether the individualist system of industry does not most afflict those who are generally supposed to gain by it most.

We see, then, that the system which leaves the producers' surplus as a prize to be fought for may stimulate good work, but it also cherishes sinister arts. It distributes its rewards in a way that causes over-strain and worry, even to the favoured ones. It produces a competitive spirit concentrated on personal gain instead of public good. And in the train of all this come the evils we discussed before, the repeated disorganisation of industry, and the consequent loss of capital and deterioration of labour.

Now, when an industry is organised by consumers for their collective benefit, profit on exchange, as we have seen, disappears. Either goods are reduced to cost price or the balance falls to the community which has organised production—is communised. This is commonly held to be dangerous to the efficiency of industry, and to put a bar to the wide extension of consumers' co-operation, whether voluntary or municipal or national. Our analysis tends, on the contrary, to reveal in the change the possibility of great gain—financial gain to the common purse, gain in real happiness to the producer, economic and social gain in the direction of industry to common needs in place of objects from the supply of which enterprising producers may derive personal advantage. These gains are, it must be granted, governed by the condition that through such an organisation we can secure work ably and efficiently directed—that is to say, that a community can command the services of men of business capacity and organising power by payment of adequate salaries, by the selection of the best men for promotion, and by rewarding the heads of the service by conferring on them trust, responsibility, and honour. That these conditions are realisable is questioned by



*laissez-faire* economists, but would not be regarded as beyond hope either by those who take a more concrete view of human nature or by those who study the actual working of some of our best institutions to-day. If Mill could hold that men would some day learn to dig and weave for their country as well as to fight for it, we may with still more confidence hope that men may learn to follow earnestly and strenuously the higher calling of directing those who dig or weave for the same end.

This is not a dream, nor even a supposition. It is matter of fact realised in many departments of industry to-day. In medicine, in the Churches, in education, in the Civil Service, wherever men feel an interest in the work as well as in its wage, work is given gladly and willingly to the utmost of a man's power for a fixed reward. And the same holds in industry pure and simple. Take the co-operative world, where, as Mrs. Webb has well pointed out, we have men dealing with millions of money, carrying on complicated operations on a vast scale for the salary of a clerk. There are in truth other motives to action than those of direct and proportionate pecuniary reward. There is the hope of advancement, of social esteem, there is the pure love of work, and the desire to serve society. There are motives mercenary and motives of devotion. These last are indeed diminished by a social system which makes material success the main object of respect, and tends to regard devotion to the public service as either humbug or simplicity. But they can never be extinct, and we have but to curtail the field of the other impulses which compete with them in human nature, and they will of themselves expand to all their original vigour.

At the same time, we have already admitted that the advance of Co-operative industry must be gradual and even experimental. It must be justified point by point by showing equal efficiency of performance, and to obtain this efficiency it must build up an honest and competent administrative service. The actual evolution of such a service in England during the last two generations in national affairs, and its more recent growth in municipal affairs is, in fact, the working basis of our practical Socialism so far as it has as yet advanced. Every further advance must depend on a parallel development of the governing machinery. Whether it is at all probable or even desirable that this method of organisation should be extended to the whole of industry, or whether there may not remain a permanent sphere, not only for voluntary Co-operation but even for the independent producer, are further questions on which we have touched above, and to which we shall return in the next chapter. For the present we maintain that the effect of the collective organisation of industry in communising profit and substituting the spirit of social service for the motives of private gain are to be reckoned as large items on the credit side of this system, and a sound motive for its extension so far as that is practicable.

But besides "Profit" in the narrower sense, there is a second element in the surplus product not yet considered. While profits are fickle and variable a great portion of the excess of value produced over the cost of producing it goes to private pockets in fixed charges. And it will continue to do so however much you communise profit. A Co-operative Society must pay interest on its capital and rent on its premises. A municipality must purchase or rent land for its public works.

Now, Rent is the price paid for differential advantages in production to those who own such advantages. And "economic Rent" there always is and always must be. For, as we have shown, some goods are bound to be produced under more favourable circumstances than others which are brought to the same market. This advantage may be due to various things, such as fertility or situation, and the owners of such advantages can exact a price for the use of them. No legislation can abolish economic rent. But the law can and does determine who shall receive it. And the question is, Does the law do wisely in allowing private individuals to absorb this enormous portion of the national produce? To ask this question is to make no attack on the owners of Rents, who may be most estimable men, and in many cases may, of their free choice, be doing good service to the State. It is merely to direct attention to the existence of a permanent charge upon the "National Dividend," for which no adequate return is made and for which no return need be made at all.

In many cases the value for which rent is paid is due to natural causes and not to human effort. Of this mining royalties are a conspicuous example. In other cases it is due to the growth of society, as instanced by the price of land in the City of London. In yet other cases it is due to a monopoly created by the State, as instanced by the value of licensed premises. Whenever we pay for value so created we get no compensatory service rendered, and we thus violate the first principle of a sound economic system.

It would undoubtedly be the object of a democratic control of the industrial system to divert every form of economic rent from private

to public coffers. The principle has, in fact, been accepted by the nation in the Budget of 1909. From this time forward, in the case of land, that increment of value which does not depend on improvements made by the landowner is subject to a special tax. Whether, indeed, with all the limitations with which it is hedged in, this source of revenue will be found very productive the future will decide. But the principle is there, and it will be extended.

But the increment tax looks only to the future. What of the existing values locked up in urban sites, enabling owners to draw so heavy a toll on urban and suburban occupiers? The taxation of the unearned increment has begun too late. It has allowed a vast accumulation of value due to the growth of the community to pass into private hands. Is the community to suffer this in permanence? If yes, it must pay a large toll without receiving any return of personal service. If no, it must go back on its past and impose a burden which will not easily be adjusted to the right shoulders; for it has always allowed land to pass freely in the market. The valuable soil, or rather space, of the City of London has doubtless changed hands many a time and oft since London took its high place among the cities of the world. Those who have received the increment have sold it, and existing owners have already paid a high and possibly full value for it. Are they to be taxed on that for which they have already paid? Let us put it into figures. Here is a plot of land worth thirty years ago, say, £100 an acre, and now worth £400. The increment is £300, and we agree that this ought to have fallen to the community. But, as likely as not, the land has been recently sold, and that perhaps at its full value.

If we now tax the land we are not getting the value back from the man who has received it, but are exacting it a second time from the man who has already paid for it. Questions such as these—and this is one of the most elementary—show the enormous difficulty in the application of a principle, equitable in itself, to the facts of an economic structure which has grown up on different principles. More specifically, it suggests that in this case if any one ought to be taxed it is not the actual owner of the site<sup>1</sup> but the man who has capitalised the value and sold it—that is to say, it introduces us to the question of the taxation of capital and interest. Now, according to our treatment and that of the economists, interest is not a part of surplus, but a part of cost—that is to say, the interest on the capital employed in production must be reckoned as a part of the normal cost of the article, and therefore as fixing its price. Ought we not, therefore, to treat it quite differently from rent and profits and to regard it as legitimately accruing to private owners

<sup>1</sup> There remain, however, sufficient reasons for such a change of municipal taxation as will transfer the burden of rates from buildings to sites. The rating of buildings and improvements generally is a direct tax on industry. All such taxes it is desirable to abolish and transfer them to the surplus of industry in one form or another. Site value is a form of that surplus, and should ultimately bear the entire burden of municipal expenditure by which, at bottom, it is created. The fact that land has always changed hands freely will cause any such change to fall hardly on recent purchasers. This is a reason for making the change gradually, and, as shown in the text, for distributing the burden over capital generally. This gives the purchaser time to recoup himself against any serious loss. It must be remembered that all kinds of business transactions go forward subject to the possibility of unforeseen loss or gain through changes in the methods of collecting revenue. The duty of considerate statesmanship is to make such changes so gradual as to minimise the hardship to individuals which is too often incidental to general improvement.

of capital as the appropriate return to them for their share of production?

To determine this question we must put together the principles of distribution on which we have been working. We laid down at the outset that the fair wage is that which serves permanently to stimulate and maintain a social service. If that is so, that principle measures the income which (charity apart) will fall to each individual for his private use in a well-organised industrial system. Whatever he acquires over and above that is "surplus." The line between cost and surplus would then be drawn on different principles and at a different point by a collectively controlled system as compared with a competitive system. That is to say, a system founded on principles of equity as the basis of a co-operative organisation of industry would divide the total product of national industry into two portions. The one representing the sum of the fair wage of all producers would go to the producers as their private income. The other, being the surplus left over, would have no individual with a just claim upon it, and would therefore fall to the community for the enrichment of the common life. Such a division is, of course, an ideal which could only be attained with mathematical exactitude by means of a degree of centralisation which we do not contemplate as practicable, and then only with the aid of knowledge which is not perhaps fully attainable. But it serves to express the principle upon which a just economic organisation would rest, and by reference to which the organisation of the industrial and fiscal system should be guided.

How, then, would interest on capital fare in this distribution? Is it payment for a service or not? Directly, it is payment for the use of capital;

but from the present point of view a distinction must be drawn between inherited and acquired capital. The interest that a man obtains on his own savings is earned by his own past industry. Indirectly, he may be said to have paid for it by his own work. That which he obtains from the use by some one else of his patrimony he has clearly not earned. He neither pays for it nor has paid for it by work of his own. It would seem, then, that the distinction between earned and unearned income at present recognised in our finance is only a rough approximation to the true principle ; for in our income-tax arrangements all rent and all interest on capital figure as unearned income, without reference to the question whether the land was bought or the capital acquired by personal saving or by inheritance. It is right, however, to remark that the balance is, in a measure, redressed by the legacy and succession duties ; and it may be added that the general tendency of financial legislation to transfer taxation from productive industry to the surplus and the accumulations of the past accords with the principles of sound collective organisation.

But to return from taxation, as we know it, to the question of principle, it is clear that industry, whether collectively organised or not, requires capital, and that in one form or other capital has to be paid for. A community might by degrees accumulate its own capital, but it would be at the cost of saving on its annual expenditure. At present its method is that of borrowing from its own members ; the payment is interest, and the rate of interest fixes itself in accordance with the general demand for capital for investment and the amount available for the purpose. Society cannot lower this rate by arbitrary decree. What

it can do is, by the taxation of inherited wealth, to make itself part heir of past accumulations; and it is desirable that it should do so, since interest on inherited wealth is not payment for service rendered to those by whom it is rendered, but is a tribute to the dead hand. To this argument it is replied that a man's motive in saving and building up a fortune is to provide for his children and perhaps found a family. If inheritance is taxed so heavily that in effect the State becomes the heir, this motive, it is urged, would cease to operate, saving would diminish, and we should have insufficient capital. At any rate, if any one country were to go too far beyond its neighbours in such taxation, there would be a transference of capital to other lands. This possibility cannot be altogether ruled out. The taxation of inheritance must be governed by the actual need of industry for accumulation, and though it could probably be carried a good deal farther than has yet been done without risk, any more thoroughgoing policy must rest on the repayment of public debt and the acquisition by the State and the Municipality of capital of their own. It is clearly the object of a collectively organised industry to emancipate itself from the tribute to past generations, and this implies that the community would become, not only the supreme land-owner, but also the chief capitalist.<sup>1</sup> But it will

<sup>1</sup> It may be asked whether the super-tax, which has become a weapon of "democratic finance," is justified by any of the above considerations, since it falls on large incomes whether earned or unearned. And the same doubt may attach to the graduation of death duties, since all inherited property, it may be said, falls under the ban if there is a ban at all. The reply is (1) that it may safely be assumed that incomes above the limit at present taken of £5,000 per annum contain large elements of "surplus," which in the last resort means that the income which remains when the tax is deducted is amply sufficient to maintain



achieve this end, not by the confiscation or confiscatory taxation of any single form of property, but by taxation equably distributed over all forms of "surplus," and steadily diverting the flow of surplus from the coffers of the individual to those of the community.

It is, of course, possible to maintain that a much more revolutionary break with the past is required, and that measures that would press very hardly on existing owners are justified by the needs of poverty. But the history of revolutions is not so encouraging that we should want to launch upon them spontaneously. A country which flings away national credit for the due fulfilment of all its obligations parts with one of the greatest of its permanent assets. Nor would it be in accordance with the general feeling in the Labour world itself to attack wealth as wealth. Considering the tremendous contrasts of fortune which every London street presents, there is remarkable absence of any spiteful feeling against the more fortunate classes. Most people, indeed, would agree that it matters little how wealthy the few may be provided that the many are not poor, and provided that adequate provision is made for all socially desirable objects. Creditable as this view is, there is something to be said on the other side. The doctrine of the needle's eye is sadly out of fashion in these commercial days, and we may perhaps leave the question of the effect of great riches on the happiness of their possessors to those possessors. But from the social point of view luxury, display, patronage, any form of social service, whatever degree of ability it may involve; (2) as to capital, as long as society only provides the bare minimum of maintenance and education for children inherited private property on a modest scale is performing a useful function. Inheritance on a larger scale does not perform any further function of value.

and the power of the purse have evil effects not merely as the correlatives of poverty, but in their direct and indirect influence on the standard of living. Merely as a political force, the influence of wealth does not diminish. The means of influencing, and even of informing or refusing to inform, opinion are in the hands of those who hold the purse-strings. Political organisation as it becomes more efficient costs more money, and it is only by the payment of Members of Parliament, the provision of election expenses out of public funds, and the rigorous limitation of private expenditure that democracy can hope to maintain itself. Socially, the employment of great wealth, even if well-intentioned, is apt to be ill-directed. The man who is surrounded by riches sees the world as through a glass darkly. He hears its cries as through a blanket ; he gets out of relation to his kind. But the glitter of his life sets a standard, dazzling but unreal, for the ambitions of the less fortunate. It gives effort the wrong orientation, directing it towards material accumulation in place of the conditions which affect the substance of human happiness.

With all this, it may be agreed that it would be disastrous for democracy to attack wealth as wealth. The problem of industrial democracy is to secure the material conditions of a healthy life for the community as a whole, to cure the disease of poverty, and to provide for the community the resources for all objects of common utility. In financing these objects, it defeats its own ends if it adds to the burdens on production. It must draw on the surplus, and, so far as it can accurately mark off that which is surplus from that which is necessary to production, it can increase its drafts without fear of impeding industry. But the legiti-

mate object is not to diminish the surplus for the sake of diminishing it, but to provide for some matter of public utility. The simple principle of democratic finance, in short, is the application of the surplus that remains over and above the fair wage of the producer to common needs.

We are, then, able to state in outline the distribution of wealth at which an industrial democracy would aim. To all engaged in production, whether by output of brain power or muscle power, it would seek to assure a fair wage, and that is, such a wage as serves to stimulate and maintain in permanence the function which they perform. The surplus, whether in the form of interest, rent, or profit, it would bring into the common chest for public purposes. But a modern nation is too large and its administration too cumbrous and mechanical to carry out this ideal through the agency of the central government alone. Local governments and voluntary associations have their part to play. The Trade Union has probably a permanent function in watching over the interests of each group of producers. The Co-operative Society will continue to organise forms of production and exchange which are not suited to the mechanical methods of the State. Even the individual producer will have his place wherever initiative, originality, and personal taste are the essential factors in value. The supreme function of the State is to exercise such a measure of control as will secure the general direction of industry to ends of social value, fair conditions for the worker, and equitable distribution of the product.

## CHAPTER V

### THE CONTROL OF INDUSTRY AND THE LIBERTY OF THE INDIVIDUAL

LET us now review our position. Let us suppose the principles we have advocated to be recognised and carried out to their logical conclusion, and let us try to picture the resulting state of industry. The work of the nation would then be carried on in large measure under the direction of communities of consumers. There would be great national works giving the nation control over the vital industries ; there would be probably a still greater development of municipal works ; and there would be, supplementing these, voluntarily formed Co-operative Associations on the existing model, united by the Federal principle, and, ultimately, co-extensive with the community. There would also be private enterprise in the arts, the artistic handicrafts, and the professions ; and it is probable that many branches of industry would, as to their immediate direction, remain in private hands. But over all the State would exercise a supreme control, regulating and correlating economic forces which are now left to adjust themselves as they may. Throughout the industrial system suitable remuneration and healthy conditions of work would be ensured for all classes of producers by good legislation, backed up and supplemented by strong

Trade Union action. The surplus product, when this charge is met, would be in the hands of the community for common purposes, that there might be the means of life for the infirm, and of culture and enjoyment for all ; and the ceaseless, wearying roar of the great engine of competition would be still.

Will such an ideal ever become actual? As to its complete realisation I answer, "No one can tell, and it is not our business to find out." What concerns us to-day is not the possibility of a complete ideal, but the practical value and immediate promise of certain existing tendencies. Here are certain great economic evils which all deplore, and here are certain movements aiming at reform. Are these movements actually doing good? Do they promise, if developed along the same lines, to go to the root of the matter? These are the questions which we have tried to answer, and which we have seen reason to answer in the affirmative. If this answer be justified, then, whatever changes the future may necessitate, these movements form for the present the means of progress.

Thus we may readily admit difficulties in applying the co-operative form of industry to every department of production. In the case of foreign trade, for example, co-operation of consumers to arrange for production<sup>1</sup> would seem almost out of the question, unless in some far-off Federation of the world which is yet but a dream. Again, in the case of some forms of production, the principle seems somewhat out of place, and is not likely to be realised unless in some modified form. In short, wherever the industrial revolution has not set its mark, and where industry

<sup>1</sup> Transport, however, is already undertaken by the Wholesale Societies in ships of their own.

passes beyond the limits of the nation, collective control by consumers becomes a difficult matter. The case of Agriculture is one of special interest in this relation, and it is worth while to discuss a little more fully the way in which our principles seem capable of application in its case.

Here there is, at first sight, a strong drift of things in the other direction. We seem to be slowly sprinkling England with individualist producers of a pre-revolutionary type. Allotments and small holdings seem to many people opposed, not only to every principle of "Collectivism," but to the whole tendency of the Industrial Revolution. But this is not altogether the case. The small occupier himself is an individualist producer, no doubt. And a system of yeomanry or peasant proprietorship would doubtless bring back many of the evils, ethical and economical, of primitive individualism. But with communal ownership a very different system is introduced, and communal ownership is already adopted as the principle of a great political party—even though that party has not yet taken the final step of repudiating every opposing principle.<sup>1</sup> In the case of agriculture, rent takes the greater share of the surplus product. As owners and rent-receivers, then, the community will exercise some of the most important rights and duties of collective control. Of course, this supposes that we are not to be satisfied with a simple quit rent to be fixed once and for ever. Such a plan would be only one degree better than a system of complete purchase. Agricultural values are constantly shifting in relation to money, and if we fixed rents to-day, thirty years hence our tenants might be in possession of

<sup>1</sup> 98 per cent. of the Small Holdings acquired under the Act of 1907 are tenancies.

great unearned increments, or—what is just as likely—on their knees to us to relieve them of an overgrown burden. The small holder requires fixity of tenure, but subject to revision of rents at stated periods of considerable length, with allowance for all improvements made by the occupier. In this way the community absorbs its due share of the produce—the surplus over the remuneration of the worker.<sup>1</sup>

Furthermore, voluntary co-operation has an important function in relation to agriculture which is of comparatively recent development. In relation to farming itself, indeed, it has not made much progress. In the first edition of this work I noted that 38 Co-operative Societies farmed 3,315 acres in Great Britain. Eighteen years later (in the figures for 1910) I find that 89 Societies farmed 10,937 $\frac{3}{4}$  acres, with an aggregate profit of £5,371, balanced by a loss of £4,238.<sup>2</sup> These are not figures which suggest any important movement. It is in the matter of buying and selling that Co-operation is beginning to play a large part in agriculture, and if Small Holdings are to flourish there will be a field for Co-operative Banking. The Agricultural Organisation Society is now affiliated to the Co-operative Union, and from figures given in the Report of the Union for 1910 it appears that there are altogether 411 Societies concerned in one way or another with the organisation of agricultural business relations, doing in

<sup>1</sup> In particular in view of the possible taxation of food, rents should be adjustable, by an automatic scale if possible, to the ruling price of the crops grown.

<sup>2</sup> 43rd Annual Report of the Co-operative Union, p. 46. These farms were owned or rented by Wholesale or Distributive Societies. In addition 2 farming societies rented 808 acres, and made a profit of £201 and a loss of £12.

the year a trade of £1,974,900.<sup>1</sup> The small holder will have even greater need than the large farmer for co-operation both for selling and for buying ; and though co-operation of producers for sale is not the same thing as co-operation of consumers, yet they admit of being linked together, and experiments in that direction are in progress.<sup>2</sup> It would not seem rash to lay down that the future development of Small Holdings in this country is bound up with the possibility of devising methods of co-operation which will enable the cultivator to combine the advantages of the large dealer with those of close attention to his own plot.

Outside agriculture, but still in relation to the land, the Garden City movement is yet another form of co-operation, which illustrates how much may be done by concerted action, not necessarily to increase wealth as measured in money, but to extend that much more real and valuable social wealth which consists in health, space, air, order, tranquillity, and the preservation of all the natural beauties that are compatible with the extension of bricks and mortar. Perhaps the function of the Garden City is rather to be a precursor of the Self-owned City, which the Town-planning movement is beginning to promise us, than to create a new and permanent form of voluntary co-operation. In any case, we are in presence of a new ideal of civic organisation, which yet is quite a natural development of the revived municipal life of the last three generations. The first function of the municipality was to establish a competent government, efficient municipal police, cleanliness, and sanitation. Then came the supply of public

<sup>1</sup> *Ibid.*, p. 47.

<sup>2</sup> See the same Report, pp. 147-68, for an account of conferences on the subject among some of the organisations concerned.



services—gas, water, electricity; and, again, education, libraries, and art galleries. There follows naturally an anti-smoke crusade, and with it will come the possibility of considering the appearance of the city—a hopeless task as long as art was represented by a conventional smoke-begrimed statue, and the love of Nature by some straggling sulphur-poisoned bushes lining the black grass of a so-called park. But as the city gets back its own in the value of its land, it will tend to look on itself with clearer social consciousness as a common home, which it will seek to make as desirable, as full of comfort, and as free from all that offends eye or ear, and, for that matter, nose as the housewife makes her private home. This, and no other, is the way of return to “Merrie England.” No rise of wages will make of our Northern or Midland coalfields surroundings in which men would or should willingly remain. But each local community owning its land, and therefore able to get back its expenditure, might make, even under the most untoward circumstances, a home for itself which would be a home, and not a collection of huts dumped down anywhere among cinder-heaps.

— It would be easy to suggest further applications of the principle of social control. But it is no part of my purpose to prove that such control must necessarily extend over the entire sphere of industrial life. What I am concerned to show is that the principle underlying certain existing movements is a sound one, self-consistent and coherent, and full of promise for the better life of society. It is a principle which men have come to appreciate through experience, and the manner of applying it and the limits of its value have also to be learnt through experience. It is an interesting,

imaginative exercise, but a practically futile proceeding to work out in our heads a perfectly finished political order, rounded off in every direction. Of such Utopias the only thing that can be predicted with certainty is that they will always be Utopias. We should bear in mind that the accomplishment of any considerable part of our hopes will open wider vistas of progress, will create new problems of its own, and demand undreamed-of methods of solution. No human system ever yet existed in completeness. One after another has grown and decayed, and none has stood still in self-satisfied fullness of development. Like "the waves in the moonlit solitudes mild of the midmost ocean," they swell and pass before we have measured the height of their crest. Only human society under wise human direction does not rise to fall again with the ceaseless iteration of the ocean waves. The tide of movement sweeps us higher at each great pulsation; it pauses, but it does not sink, and it changes its course only to find easier inlets to the shore.

We must, then, content ourselves with a limited view of the future, and must not strain our eyes to see the invisible. It is enough for us to trace the tendencies of our principles to the farthest point discernible, to see how they harmonise and supplement each other, and how the application of them would meet the economic evils of the day. When these evils have been remedied new questions will arise, and it may be that new principles will be required for their solution.

It will be well, however, before concluding, to illustrate our principles further by considering their bearing on some of the practical problems of the day. For some years past Parliament has been engaged on legislation designed to lighten

the load of poverty. At one point—in the establishment of Wages Boards in a few badly sweated industries—it has directly attacked the problem of insufficient wages. But for the most part it has tacitly assumed that though wages may suffice, or may come to suffice, for the needs of the average workman's family as long as the workman is in full vigour and regular employment, they do not afford a margin, and cannot, through any change which is within the bounds of probability, be expected to afford a margin, for the mass of wage-earners out of which they could provide unaided for the contingencies of life, for sickness, old age, unemployment, and the education of children. If that is the case, the living wage is calculated on the basis of the maintenance of the family during the full vigour and regular employment of the father, and provision for these contingencies should fall, in accordance with our view, on the "surplus." In two leading cases the State has adopted two different methods of making the provision. In the case of Old Age Pensions, it provided a low fixed minimum for all the poor—with minor exceptions which need not here be considered—leaving it to individuals to add to the minimum or to antedate the pension through their own exertions. Coupled with the financial provisions of the Budget of 1909, this was a clear attempt to throw this charge on the "surplus," and is fully in accordance with the principles here defended. In the case of sickness and unemployment a different method has been followed. The bulk of the expense is to be placed on employers and employed, the State contributing but a fraction of the whole. This method is more questionable. For the contributory principle, as applied to all wages above the minimum, there

is a good deal to be said. The provision against sickness is a joint responsibility of the individual and the State. The State has a duty to the sick, and each man has a duty to himself and to his wife and children. Moreover, he owes a duty to the State in the matter, because in practice the State cannot leave either him or his children to die. He becomes a charge on the common funds if he has not made provision out of private funds. The State, therefore, has a right to say to him: "Come, let us club together. We will do half and you shall do half." But this is to assume that the man has already a margin over his immediate needs. The demand is not fairly applicable to those who have no such margin, and it is to be feared that the tax of 4d. weekly will, in fact, press heavily on those whose incomes fall below 20s. to 25s. a week. The difficulty has been very partially met by lowering the contribution on the very lowest grades of labour, but it will be clearly necessary to press for further exemptions. There is, however, a more fundamental criticism on the finance of the Insurance Law. Raising 4d. from the employed workman (I need not here complicate the argument by bringing in the case of women) and 3d. from the employer, it imposes a tax of 7d. per week on employment as such. It thus places the whole burden of the cost upon production, and economically there is every reason to suppose that the employer's 3d. will have very much the same effect as the employee's 4d. Now, there is not the smallest reason, other than that of financial convenience, for putting this tax on employment. A man needs provision against sickness, not because he is employed, but because he is a man. The State owes it to him, not because he is employed by somebody, but because he is a

citizen. The practical difference between the two principles is considerable. It is the tax on the employer which renders it impossible to insure poor men and women who work for themselves on even terms, which necessitates the complicated provisions for married women, which causes the difficulty as to casual labour, and as to the responsibility for arrears after a season of unemployment. Moreover, the Post Office scheme, the blot on the whole law, might at least have been left voluntary had there been no employer's contribution to consider. But beyond all this the tax on employment, it may be predicted, will act like a tax on anything else. It will tend to reduce employment.<sup>1</sup> In the trades which are compulsorily insured against unemployment as well as sickness, the total tax on a week's employment is 1s.—that is to say, on an unskilled labourer at 20s. a week it is a tax of 5 per cent. Of this the employer directly pays 5½d., and this is certainly sufficient to influence him when it is a question of taking on or discharging hands in a time of slack trade. It is also a very serious burden on small employers, whose average weekly income is perhaps not much greater, and is possibly more precarious, than that of some of the men whom they employ. It is so great a thing to have established the principle of National Insurance that it may be argued that the price was worth paying. That has now become a question of academic interest. What is important is to press the necessity that the State should assume a larger share of the burden with a view, not

<sup>1</sup> In other words, it adds to cost of production. In the view here taken all such taxes are bad unless the aim is to diminish production as in the case of taxes on liquor. Otherwise all taxation should fall on surplus. This is the simple principle of democratic finance.

merely to the relief of the poorer wage-earners, but to the reduction, and ultimately the elimination of the tax on employment.<sup>1</sup>

An employer is fairly held responsible, not for all the sickness of his workpeople, but for any sickness that arises out of the conditions of their employment; and that clause of the Act is thoroughly sound which places on employers a special liability where an industry yields more than an average share of sickness. It is by following the same clue that we arrive at the true responsibility of the employer in the matter of unemployment. We have seen that fluctuations of employment are largely attributable to the uncontrolled attempts of the individual employer to expand his business in good times. There is no check on his eagerness at such times to bring workpeople into his trade. But the new hands that he has introduced may in a few months or years be out of work; in fact, it is freely maintained that many industries could not run as at present constituted without reserves of labour, which they can call upon in good times, leaving them to rot in slack seasons. This is a monstrous system, and the only real check on it is to make the profits of the industry bear the full burden of its labour cost in slack as in full work. The Unemployment Insurance scheme seems vaguely to recognise this principle, but it proceeds so inconsequently as to tax the employer when he takes a man on, remitting the tax when he turns him off. This is not precisely the way to stimulate employment in slack periods. What is needed is

<sup>1</sup> If the employer had to pay the same amount in income tax it might seem to be as broad as it is long. But the economic effect would be quite different. Income tax falls on realised profit, and provides no motive for reducing the number of those employed.

rather to cause the employer to contribute to an insurance fund in direct proportion to the fluctuations of employment in his industry. Now, there is a clause in the Act (clause 102) which provides for a periodical revision of the rates of contribution in relation to the actual cost of unemployment insurance, and the avowed object of this clause is to supply a motive for the reduction of unemployment. But as they stand, these provisions, and others intended to give advantages to regulation of employment, can only be regarded as mitigations of the general burden which the Act places upon employment as such. The object should rather be to base the employer's contribution, not on each week's employment of each workman, but on his presumable contribution to the total cost of unemployment in his trade. This would be measured accurately, not by the number of persons employed by him in a given time, but by the fluctuations in that number. Now, whether any method of assessment can be devised which would approximate to a fair measure of these fluctuations is a question for the fiscal expert. But failing such a method, which would give the employer an individual interest in the equalisation of employment, far the best method of exacting his contribution would be to make it a direct *pro rata* charge on his profits; that is to say, the total cost of unemployment insurance in a given trade in a given district being ascertained over a term of years, a moiety would be charged on employers collectively and divided among them in proportion to their profits. There would be a reassessment every three or five years, so that the charge would vary directly with the amount of unemployment. So placed, the charge would not operate as an inducement to the earlier discharge or later recall

of workmen, but would simply supply a definite pecuniary inducement to employers to act collectively for the more equable regulation of trade ; while in periods of depression the workman, having his benefit to fall back on, would not cease to be a purchaser of goods, and would not therefore involuntarily assist in extending the area of stagnation. In such a form of public supervision it is not unreasonable to see the beginnings of a radical cure of cyclical unemployment.<sup>1</sup>

There is, however, one side of the Insurance scheme which, in my view, deserves more praise than it has received. It secures to the sick man certain definite benefits as a matter of indefeasible right. He can claim medical attendance, sanatorium treatment, and a weekly income of definite amount. He is taken out of the hands of committees, inspectors, and relieving officers, and is given instead a legal claim which he can enforce. This is the true break-up of the Poor Law, the true line of emancipation for the great majority—for they are, after all, the great majority—who work honestly and well for a scanty return. To assure them a certain definite provision, small as it may be, as their own is to treat them as independent citizens. To send them to plead their

<sup>1</sup> Seasonal unemployment is a different problem due to natural causes and can be best met, in accordance with the suggestions of the Minority Report, by a dovetailing of different trades.

The proposals of that Report for an organisation of the Labour market by such arrangement of public works as would increase national and municipal production in bad seasons and relax it in good seasons is a palliative which has some obvious disadvantages but if cautiously employed may serve a useful purpose. But instead of striking at the root of the matter it accepts cyclical fluctuations as inevitable. To this view it may be rejoined that if these fluctuations are not curable by some such mild methods of public supervision as are suggested in the text they will drive the nation to a much more radical form of the collective organisation of industry.



case before inspectors or committees, be these never so benevolent, is to reduce them to dependence. There remain for officialdom the relief of exceptional misfortune and the discipline of idleness. But the true cure of poverty is in the establishment of a defined right of income in times of helplessness, charged on the "surplus" fund of industry.

So much may suffice to illustrate our general principle, and farther I cannot attempt to go in this connection. It will be well, however, in conclusion, to meet one or two theoretical objections which may be urged against the general principles of the collective control of industry.

It may be said, first, that economic laws render our ideals impossible. This objection may mean two or three things. It may mean generally that sound economics are opposed to such views. If that is so, we must of course have the particular discrepancies pointed out before we can reply to them. It may mean, again, that economic laws are as inevitable as those of arithmetic or astronomy, that it is equally hopeless to contend against them; that these laws have produced the present state of society, and that the said state of society cannot therefore be modified by human effort. Against this hypothetical but not unlikely objection, the reply simply is that it rests on a misconception of the idea of law. A law in economics, as in any other science, simply states what has resulted, and is expected to result, from certain conditions—what will be the effect of a given cause. Political economy traces the existing state of industry, distribution of wealth, &c., to certain causes, and says that, given those causes, the effects follow inevitably. Very likely, but suppose we can control the causes? Given free

competition, enormous inequalities of wealth are inevitable. Doubtless, but suppose we can supersede competition by an intelligent control of industry? We cannot argue from what happens now to what would happen under changed conditions. The fields of economic and much other scientific thought are strewn with the bones of those who have tried to reach truth by this method, and have perished intellectually in the attempt.

In a somewhat similar spirit, it is sometimes said that political economy *favours* free competition. This idea still seems to work confusedly in the inner fogs of many minds, but it is about as intelligible as to say that physiology favours disease, or astronomy the motion of the earth round the sun. Political economy has emerged as a science at a period when free industrial enterprise has been more widely extended than heretofore, and accordingly it has been mainly concerned to examine the phenomena that arise under a competitive *régime*. But political economy is concerned purely with the ascertainment of facts. It tells us, or tries to tell us, what happens under given economic conditions. It does not tell us what ought to happen, what would be most desirable in the general interests. It does not, as a pure science, favour any one form of industrial organisation rather than another. And if any political economist does show such favour, we can only say, that *qua* political economist he has no business to do any such thing. The whole notion implies an entire misunderstanding of the nature of science as an attempt to interpret existing facts as it finds them. The ordinary "scientific" objections to collectivist reforms are, in fact, the objections of pseudo-science.

There is, however, one specific form of the economic objection which we can hardly expect to escape. The population theory has been erected into a bulwark against almost all theories of progress since the days of Malthus, and it is hardly to be supposed that the Labour movement of to-day will be allowed to pass unchallenged. I shall be told that this reckless ministering to human life and comfort, this monstrous preservation of the incompetent, will have as its inevitable result the increase of population, which must infallibly lead to increased poverty. Observe the reasoning here. There are more mouths to fill ; therefore there is less for each. Quite so, if the whole stock of food remains the same. But how if the supply of food increases as fast as the population, or faster? Is not this possible, since each new consumer is (or is to be) also a new producer? No, I shall be told ; the law of Diminishing Returns prevents this. Put ten men to labour on a farm, and you get a certain return. Add ten more next year, and you get a larger return, but not twice as large. You have doubled your labour, but you will find the produce less than double. And this gets worse the farther we go on. Ten men, say, could produce enough from the farm to live in comfort. Twenty men produce enough to keep fifteen in comfort. Then five will be underfed. Thirty men's labour will keep eighteen in comfort and twelve will be in rags ; and so it goes on, getting worse and worse. Now, all England and all England's industry may be looked at thus. Ten million, say, could live comfortably in England. At twenty millions five will be submerged. At thirty twelve will be in want, and so on.

I do not suppose that this argument would now be used by any competent economist. But it may

be well to explain briefly the nature of the mistake. The simple truth is that the law of Diminishing Returns is a misnomer. At one stage returns *increase* proportionately to the amount of labour applied—*i.e.*, a given addition of labour brings a *more* than proportionate increase of product. At another stage returns decrease proportionately to the amount of labour—*i.e.*, a given addition of labour brings a *less* than proportionate increase. Thus a farmer working single-handed in a Western State reaps a certain harvest. If he is able to hire one labourer his return is more than doubled. A second labourer adds yet more than the first, and so on up to a certain maximum, after which the addition of a fresh labourer makes a smaller addition of produce than is obtained from the average of preceding labourers. At this point Increasing Returns give way to Diminishing Returns. And so it is in all industry. There is a period of Increasing and a period of Diminishing Returns, and even an interweaving of the two, so that we pass from one to the other and back again. And thus considered, the conception must be applied to manufacture, mining, transport, and other industries, as well as to agricultural land. If it be granted—I doubt whether any human being knows it to be true—that English agriculture is now permanently in the period of Diminishing Returns, it must be remembered that England's population does not depend for its food on England's soil. And it has yet to be shown that an increase in the population does not produce such an increasing return in manufactures and transport as more than counterbalances the diminishing return from agriculture. That this has been so up till the present time seems to be agreed. Thus Professor Marshall says :—

“ Political arithmetic may be said to have begun in England in the seventeenth century ; and from that time onwards we find a constant and nearly steady increase in the amount of accumulated wealth per head of the population.”<sup>1</sup>

Remembering the enormous increase in the population which has taken place during the same time, we see here the action of Increasing Returns on a large scale. In fact, the pressure of population on subsistence may some day become a difficulty. But that it in any way contributes to our difficulties at present, or is likely to do so within any period for which we are called upon to make provision, there is no evidence to show. What evidence we have points the other way. And for those who look forward with anxiety to the time when even standing-room will be difficult to find on this earth, let us in platonic fashion crown them with garlands as the wisest and most far-seeing of men, and at the same time suggest to them that they would find a more congenial society among the philosophers of Laputa than among the legislators of our city.<sup>2</sup>

A somewhat similar objection may be put in simpler form. It may be said : “ You propose that every occupation should be made as safe and healthy as possible, that it should never be carried

<sup>1</sup> “ Principles of Economics,” vol. i., p. 729, 2nd edition, 1891.

<sup>2</sup> I leave the above passage as it was written twenty years ago, because it is instructive to see how quasi-scientific arguments against progress change with times. The fall of the birth rate has laid the ghost of over-population. The talk now is all of race suicide and the duties of parenthood, and the blessings of large families are being assiduously inculcated by celibates and childless married people. The danger of race-suicide to-day is no more real than that of over-population twenty years ago. The standing danger is that people may be beguiled from the path of rational progress by whatever happens to be the popular pseudo-science of the hour.

to the point of exhaustion, but should leave reasonable leisure for every worker, and yet that every man should have enough to maintain himself and his family in a way befitting a civilised being, and that the old and infirm should be made comfortable. But where is the money to come from? Quite apart from the growth of population, where, at the present day, is the wealth that will meet this enormous charge?"

No doubt our wages bill will be much increased if we are to support all the workers of the nation at the price of moderate toil. But it is not at present found impossible to support a considerable number of people in a great deal more than comfort at the price of no toil whatever. If certain persons hold a lien on the produce of the nation, and exact a toll for which they make no adequate return, our difficulties are certainly increased; but the inference is not that we should abandon our task, but that we should reconsider the position of these persons. Every argument from the "impossible" urged by the possessors of "surplus" makes the case against the private appropriation of surplus so much the stronger. The more difficult it is to satisfy the primary needs, the more necessary it becomes to apply the whole of our revenue to that purpose. And the first need of all is life for the worker. In a true social state every citizen counts for something—all alike must be considered; but the servants of society must be considered first. If there were to be before and after at all in a true State, those would be before who, whether with brain or muscle, are doing the hardest, most unpleasant, most dangerous, most self-denying work for the common good; and next to the worker would come the helpless. Not till these first needs are satisfied

can we consider any other claims. But is there, in point of fact, any ground for the suggestion that the national income is not sufficient to meet the demands of the minimum wage and yet leave a large surplus? If we look again at the figures of Mr. Rowntree and Professor Bowley, we may make a very rough estimate of the addition to the weekly wages bill which would be necessary to raise wages generally to the standard. We shall see that there are, in round numbers, four millions of men earning between 15s. and 30s. a week. Let us assume that the deficiency of their wages, as compared with the minimum (which we placed between 20s. and 25s. for the rural districts, and 25s. and 30s. for urban areas), averages 5s. per week. This would give a total deficiency of £1,000,000 weekly. Then there are 320,000 receiving less than 15s., besides casual workers, making perhaps a million in all. Let us suppose that for this million the deficiency averages 10s. a week. This gives a sum of £500,000 weekly. The total is, in round figures, £78,000,000 annually. Let us assume that, with similar provision for women workers, it would reach 100 millions. The figure will suffice to indicate the order of magnitude with which we are dealing. Now, let us assume further that this increase of wages makes no addition to the productive power of labour, but will represent a net deduction from surplus. What is the measure of the surplus? Again, we can get no exact or even approximate figures, but we can form a conception of the order of magnitude. Mr. Chiozza Money has given reasons for thinking that the aggregate income of those above the limit of abatement of income tax—that is, above £700 a year—is £634,000,000; and this is obtained by no more than some 280,000 families,

whose average income is thus, in round figures, £2,260. We may take less than half of this amount for "surplus" in the sense in which that term is used here, and we may disregard all the elements of surplus which are, of course, to be found in smaller incomes as well, and still have a sum which will be treble that required to make good the deficiency of wages. If that is so, one-third of the surplus wealth of the nation would suffice to abolish the poverty of the nation, so far as that poverty is due to maldistribution.

I conclude, on the whole, that the economic objections to the collective control of industry are not sound.

But one question remains to be raised. In all this advocacy of collective control, are we not leaving one side of life out of account altogether? Does not the growth of the central authority militate fatally against the liberty of individual citizens which is essential to progress? This is a consideration which would have had more weight in England twenty, or even ten, years ago than it has to-day; and I deal with it, not so much because I think it will be considered as because I hold that it ought to be considered. I shall not, therefore, attempt an exhaustive discussion of the arguments for individualism. I will content myself with one or two as representative, and will then pass to the more positive treatment of the subject.

First, then, the idea of the "rights" of the individual as opposed to the good of society, though it would hardly find countenance from any competent thinker, still appears to lurk obscurely in certain minds, from which it emerges from time to time into the twilight of confused platform speeches or magazine articles. We still hear of



the rights of property, the right to free labour, the right to drink when and where you please, as though these rights were not merely the creation of society, 'sustained by society for its own convenience, and having no other moral justification in the world, but superior to social welfare and competent to give it the law. But a "natural right" independent of the welfare of society is as much a contradiction in terms as a legal right independent of a law enforcing it. On this point philosophers speak with one voice. That it is the view of utilitarians, like Mill, holding as they do that the greatest happiness of mankind is the test of right and wrong, goes, of course, without saying. Let us hear, then, one of the greatest English representatives of a quite opposite school of thought :—

"The dissociation of innate rights from innate duties has gone along with the delusion that such rights existed apart from society. Men were supposed to have existed in a state of nature which was not a state of society, but in which certain rights attached to them as individuals, and then to have formed societies by contract or covenant. Society having been formed, certain other rights arose through positive enactment ; but none of these, it was held, could interfere with the natural rights which belonged to men antecedently to the social contract or survived it.

"Such a theory can only be stated by an application to an imaginary state of things, prior to the formation of societies as regulated by custom or law, of terms that have no meaning except in relation to such societies. 'Natural right,' as right in a state of nature which is not a state of society, is a contradiction. There can be no right without a consciousness of common interest

on the part of members of a society. Without this there might be certain powers on the part of individuals, but no recognition of these powers by others as powers of which they allow the exercise, nor any claim to such recognition; and without this recognition or claim to recognition there can be no right." <sup>1</sup>

On this point, then, Utilitarian and Transcendentalist join hands. (A right is nothing but what the good of society makes it.) If, all things considered, it were well for society as a whole to destroy every right of private property to-morrow, it would be just to do so, and the owners would have no right to object. They might resist with physical force, but they would have no moral ground to stand upon. If, therefore, any form of property or any liberty no longer serves a good social purpose, it ceases to be morally a right. Even the compensation due to individuals whose rights are affected by such changes is assigned to them in the name of the common welfare.

This being understood, we pass to the scientific arguments for individualism. The chief of these arguments is an application to human progress of ideas derived from the organic world at large. The struggle for existence among plants and animals is continually eliminating the majority of those which are born, and the survivors are only able to maintain their ground by superiority to the remainder in strength, swiftness, cunning, endurance, or some similar quality. Hence the natural result of the struggle is the survival of the fittest, which is the means of the gradual evolution of higher from lower forms. So in

<sup>1</sup> T. H. Green, "Principles of Political Obligation," Philosophical Works, vol. ii., p. 354, 2nd ed., 1890.

human life success is to the strong, the swift, the cunning, and the patient. Let natural forces play, and these shall inherit the earth, the weak and feeble being rooted out. In this way, by slow degrees, we attain to a higher type. But if by artificial means we preserve the impotent and the helpless, we hinder this beneficent natural process. We prolong the misery of their extinction and lower the average of human excellence. Happiness and perfection are reached by men and by other organisms when they are thoroughly well adapted to their environment, and the supreme law of progress is that the ill-adapted being should be left to die :—

“Thou shalt not kill, but needst not strive  
Officiously to keep alive.”

Now, we fully agree with the evolutionists in their main position. It is desirable that the fit should succeed and the unfit fail ; we are ready even to exclude the utterly unfit from society altogether by enclosing them in prison walls. But who are the unfit? “Those who are ill-adapted to their environment,” say the evolutionists. Quite so. And what is the environment of man? The society of other men. Then who is the fit man? Clearly the man who is best adapted for social life. And who, again, is he? Is he the bold, unscrupulous man of force—the exacting, the merciless, the ungenerous? Such is the man who succeeds in the anarchical struggle for existence. Or is he the merciful and generous man of justice, whose hardest fights are fought for others’ lives, who would rather, with Plato, suffer wrong than inflict it, and who would lay down his life to serve mankind? The first is fittest, actually, to survive in the unregulated contest of individuals. The second

is fittest, morally, to survive in a society of mutually dependent human beings. And that the morally fittest shall actually survive and prosper is the object of good social institutions.<sup>1</sup>

This society of the just may be an unattainable ideal upon earth ; it may be destined to exist only in some heavenly place among the gods. But according as we are brave or faint-hearted, wise or foolish, virtuous or corrupt, we approach it or fall off from it. There is not, and may never be, a heaven upon earth, but that is no reason why we should not strive to realise as much of heaven as we can. We can approach, if we can never reach, the rule of Right and of Justice—that those shall prosper who deserve it. We can at least institute and maintain conditions which favour this result, which therefore promote the survival of the fittest in the only sense in which that end is desirable. But even the halt and the lame, if they bear their trouble bravely, may be fitter for the social state, and serve it better by their patient

<sup>1</sup> It is almost superfluous to point out the ambiguity in the word "fit." In any struggle the fittest survives. He would not have survived had he not been the fittest to meet the particular conditions of that particular struggle. It does not follow that he is the fittest from a moral point of view—*i.e.*, that he is the competitor for whom a moral man, weighing the merits of the rivals from a moral point of view, would desire the victory. Very immoral qualities may be the condition of success in certain states of social or non-social existence. If, then, we wish to preserve the morally fit, we must make submission to *moral laws* the main condition of success. Then the two meanings of fitness coincide. The morally fit become the best fitted to survive. In principle this argument is now generally recognised by biologists, who in relation to social progress substitute the conception of a deliberate or rational selection by society for natural selection as the method of securing racial progress. The question of Eugenics, however, would require a separate volume. I have briefly discussed some of the principles involved in "Social Evolution and Political Theory," Chap. III.

lives, than the bold and strong who, in pursuit of their own ends, turn the earth into a hell. Better to preserve the physically weak and their offspring than the morally bad and their brood of evil. Better to keep alive a maimed deformity than the human monsters who, if the tale be true, "grow" these deformities for gain. But we have no such sad alternatives before us. A due regulation of economic conditions would provide for physical as for moral health, and, far from scorning the teachings of biology, would use them to promote the evolution of a nobler species.<sup>1</sup> The evolutionist argument thus correctly understood makes straight for collective control.

The true value of liberty was, I venture to think, better understood by older writers, like J. S. Mill. That, in his phrase, "individuality is an element of wellbeing" is, I believe, a permanent truth. We do not want to run everybody into one mould. We do not wish to turn our national institutions into a Procrustes bed, in which every man's nature is to be cut to one length. But then, we entirely deny that the regulation of industrial life tends in this direction. If it were proposed to impose a uniform religion, to dictate a system of thought, to interfere with a man's leisure, even to regulate his minor tastes in dress or furniture, then, indeed, we should be cramping individuality and inaugurating an era of stagnation. And when such things are advocated, we, for our part, shall be found among the ranks of the Individualists. But an active social life has no

<sup>1</sup> So much has been said by evolutionists of the danger of keeping alive tendencies injurious to society, that it is surprising that they should not notice the tendency of individualism to foster selfishness and callousness to suffering—the most directly antisocial of all tendencies.

connection with the rule of bigotry and intolerance. The best social life consists precisely in the harmonious working out to their fullest possible development of the best capacities of all members of the community. And true liberty, to quote Professor Green again, is found when each man has the greatest possible opportunity for making the best of himself. And the problem for society is, so far as possible, to ensure such liberty for all its members. To do this undoubtedly involves the curtailment of individuals in some of their actions. But some such limitations are essential to the very existence of society. We cannot allow people to discharge pistols in Piccadilly or bombs at the base of our public buildings, however much they may be convinced that they are but following their best impulses in so doing. We have to curtail the free play of their aspirations for the safety of ourselves and our fellow-citizens. The curtailment of the liberties of some, then, may mean the maximum of liberty upon the whole. And this maximum it is our object to ensure. Thus free competition for employment is a form of uncurtailed liberty, and it results in working hours of twelve, fourteen, or sixteen a day, with full liberty for self-development in the hours that remain. If we curtail the liberty on one side, and so obtain an eight-hour day for a group of workers, with four, six, or eight hours' additional leisure, do we add to liberty or subtract from it upon the whole? If we compel so much education as puts a child in a position in which he has all the best thoughts that have been expressed in his mother-tongue at his command, do we give him a worse or a better chance of developing his nature in the long run? In a word, if we exercise control where the health and other material needs of

society are concerned, do we augment or diminish the power of satisfying higher needs? I should reply that all depends on the wisdom of our control. If you govern badly or unwisely, probably enough you will get bad results. But it is a bad government indeed that would not be better than anarchy, just as it is a very poor brain that is no better to its possessor than an empty skull. The actual control itself is, in fact, a small obstacle to liberty in its higher aspect. Just as it matters little to control the body if you leave the spirit free, so it is a small thing to order man's doings in the way of providing material needs if you leave him to roam unfettered in the larger field of mental and spiritual development. And as our object is to enable men to realise such development, and find in it their greatest happiness, we insist at one and the same time on perfect freedom in this direction, and perfect organisation of all the material basis of society which forms the foundation of the wider life.

We do not, then, attack liberty, but defend it. But we distinguish kinds—or, if you like, spheres—of liberty as of very different importance. And we advocate curtailment of the lower kinds in the interests of the higher. It may be asked, Who is the judge of higher and lower, and who decides what is essential to the interests of the higher? Only one answer can be given—the majority of the citizens; and this brings us to the second of Mill's pleas for liberty—the fallibility of any human authority. Here, again, we have a consideration of great and permanent importance. No human being, and, therefore, no collection of human beings, can be perfectly wise. If we admit, with Aristotle, that the wisdom of a body of men in their collective decisions may be greater than

the average wisdom of the component individuals, we must yet allow that it is imperfect. The court of appeal to the people is the highest human court, because none higher and none safer can be devised. But the voice of the people is not the voice of God. And a whole generation may follow a mistaken idea about its own best interests. To ignore this is the mere weakness of fanaticism.

But we have a corrective to all mistakes—the only corrective open to mankind—in free criticism. We must in many ways control action ; we cannot control thought ; we should not control speech. In all curtailment of freedom let this field be left open, and the main danger of government—persistence in a wrong course—is avoided. We shall lose, we do lose, something by toleration in this form. The promulgation of error is *pro tanto* harmful. But Mill has shown that the open advocacy of error is far less prejudicial to the cause of truth than the suppression of divergences of opinion. Free discussion is the best corrective of stagnation, and free discussion involves some error. And there is a suitable point at which the repression of erroneous doctrines should begin—the point, that is, where they issue in action to the hurt of society. At that point repress them if you please, but still leave men free to talk. This distinction is, of course, recognised in law. It is open to a man to advocate Mormonism in England, but it is not open to him to be a bigamist. In most respects the law already holds that it is best to let men talk out their thoughts and to meet them by reason and persuasion rather than with a whiff of grapeshot. And so far from advocating an extension of collective control in this direction, we would rather see a clearer line of demarcation drawn, and the rule of free discussion made as



nearly absolute as any rule can be.<sup>1</sup> Let the fresh air of criticism move over the face of the waters and keep them astir. Then, at least, we shall avoid stagnation. It is difficult to many people to combine toleration and zeal—difficult, but necessary. Half the progressive movements of the world have failed in the long run through this defect. To raise men one step on the upward path, they have built up a machinery which has prevented all further movement; and the next stage has had to begin with the breaking down of this cumbersome mechanism. If for the future this error can be avoided, progressive movements will no longer contain the causes of stagnation or relapse within themselves. And the single general principle which can be laid down to help us here is the principle of free thought and free discussion. It may be asked, "If you admit the State to be fallible, how can you insist that we should let it judge for us?" I purposely put the question in this form, because I think that, however phrased, it rests on an unanalysed idea of the State as something outside ourselves. The truth, of course, is that we are the State, and when we judge and decide things as a State, we are in no worse position for judging than in the practical affairs of daily life. I cannot get an infallible judgment from any source on earth, whether on my own

<sup>1</sup> Apart from obsolete absurdities like the Censorship and the Blasphemy laws indecency on the one hand and direct incitement to disorder on the other are punishable. In the latter case the line between speech and action tends to disappear and it is only at this point that words may be justly held criminal. In the former case it is not the appeal to opinion that ought to be punished but the manner of expression which is intended not to influence opinion but to excite morbid feeling. It must be admitted, however, that in both cases the line is difficult to draw and any restrictive law—or for that matter any moral censorship exercised by opinion—may be readily abused.

affairs or to assist anybody else. Even if it is contended that every one, from Solomon to the village fool, is the best judge of his own interest, it cannot be held that either Solomon or the fool is infallible even on this point. The argument, then, cuts both ways. If the State is fallible in dealing with the individual, the individual is fallible in acting for himself. And it has to be considered that each man's action affects other people, and however well he may be able to judge for them and for himself, there is no guarantee that, so far as they are concerned, he has the will to judge well. The democratic State, on the other hand, represents the resultant judgment, so to say, of the conflicting views of all its adult and sane members; and in this resultant judgment we get the nearest approach to a collective judgment of the social organism upon its collective interests, parallel to the judgment of the individual man on his private interests.

There are those who allow the uncertainty of things to weigh so heavily upon them as to paralyse their will in their own private affairs. They exaggerate caution, and allow the one-thousandth chance of failure to outweigh the 999 probabilities of success. They do not count the cost before acting. They never act at all. The thing in some instances, I believe, becomes a kind of mania, ending in a sort of general paralysis. Many people suffer from a similar paralysis when they approach public affairs, and the only active principle they appear to retain is that of spreading the same paralysis throughout society. But society must judge and act, as individuals must judge and act. Inaction no more saves us from responsibility than the ostrich secures itself from its enemy by burying its head in the

sand. If we decline to act we are responsible for all that follows from inaction, as surely as we must take the consequences of action when we do act. If we do not put down gambling, if we do not limit the hours of industry, if we do not punish criminals, we must be held responsible for all that follows from our passivity. Responsibility is hung about our necks, and we cannot shake it off. For better or for worse, in private and in public, at each emergency of life, on each new question forced on us, we have to judge as best we can, using all available light, listening to every instructed teacher, and finally coming to a decision not less resolute because delayed. Consciousness of weakness and limitation is all good if it leads to open-mindedness and toleration, all bad if its result is the paralysis of doubt. And in the great matters of life it is our imperative duty, not only to hear all sides, but also, having heard them, to form opinions of our own. The duty of having convictions is correlative and supplementary to the duty of tolerance and open-mindedness.

Both duties may be recognised in our public action, and the due balance of both can alone secure a continuous forward movement of mankind, and in it lies the solution of the old question between liberty and authority. Using every available means of obtaining true ideas of what is necessary as the fundamental condition of social health, it is our right and duty to enforce that by any and every form of collective authority legally or voluntarily constituted. It is equally right and good to leave a fair field of discussion open to all who consider themselves aggrieved, or who think we are in the wrong path. And, finally, collective control has not so much to make

people good and happy as to establish the necessary conditions of goodness and happiness, leaving it to individual effort and voluntary association to develop freely and spontaneously all the fair flower and fruit of human intercourse and knowledge and beauty which can spring from a sound root firmly planted in life-giving earth.

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